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Muscles flex for redundancy pay

by John Draper

AUCKLAND Trades Council is advocating a week long show of industrial muscle to counteract a growing determination amongst employers to stand up against trade unions.

And the council will ask the Federation of Labour to give its blessing to make May 21-25 a week of industrial disruption nationwide.

The move springs from a meeting of several hundred unionists in Auckland Town Hall last month chaired by Auckland Trades Council president Bill Andersen. The council gave its approval last week.

The main aim of the week of action Andersen says, is to stop employers using the long running Mangere bridge dispute to cut back on existing redundancy agreements.

"One big employer in the region has already told us he intends rescinding the redundancy agreement negotiated and replacing it with the much lower one offered by the Master Builders Federation", Andersen said.

Work stopped on the bridge 11 months ago when Wilkins and Davies Ltd socked 140 carpenters and labourers after a series of rolling stoppages for higher redundancy payments.

Andersen is confident the FOL will give its support for a nationwide stoppage.

"We will be asking all workers to take some action of some kind, whether it be a two hour stoppage, an overtime ban or a day long strike," he said.

The proposal will be put to the FOL's annual conference beginning May 1 and may become the first big issue for Sir Tom Skinner's successor.

Meanwhile, the Wellington Trades Council is planning a mass demonstration on May 17, the day Parliament opens.

It plans a union march through Wellington on Parliament to protest at what it sees as the continued attack by the Government on workers's standard of living. A meeting of union representatives on April 17 approved the plan.

Inside:

Strikes threaten union power

by John Draper and Colin James

A PARTIAL breakdown of union discipline is at the root of much of today's industrial unrest.

Moderate union leaders are finding it increasingly difficult to prevent workers at grassroots level taking matters into their own hands.

They say workers are frustrated at their declining real standard of living and fear wage controls in the near future.

They also say that years of wage controls have lessened worker respect for written agreements with employers.

The result is a rash of unofficial strikes, among them, the airport engineers over plans to tax their travel allowances, the electrical workers at the Tasman Pulp and Paper plant at Kawerau over relativities.

And in other cases, rank and file unionists have pushed their unions into official action, as in the case of the airline pilots.

These have coincided with official disputes, such as those of the refrigerated truck drivers and the brewery boiler attendants.

The result has been an unusually high level of strike activity, which has led some employers to see signs of a Socialist Unity Party manoeuvre aimed at:

Softening up employers before the next round of wage bargaining, and

Promoting the candidacy of New Zealand Drivers Federation president Ken Douglas of the SUP for the post of secretary of the Federation of Labour.

Particularly they see the refrigerated truck drivers dispute as aimed at being a homogeneous group to establish the principle of four weeks holiday for all drivers in the main award on which negotiations are due to start next month.

And they claim that some of the grassroots stirring has been SUP-inspired and cite as examples a storemen's strike at Campbell Industries in Auckland and disruption at the New Zealand Motor Corporation's Panmure plant.

Employers see further evidence in a meeting in Auckland last month to formulate a co-ordinated campaign to win travelling allowances for all workers.

More than 100 unionists attended the meeting, which was chaired by Northern Drivers Union secretary and SUP president Bill Andersen. The result has been dubbed "operation intensification" by Employers Federation director Jim Rowe, a description Andersen, who is president of the Auckland Trades Council, is happy to adopt.

Unionists, however, discount suggestions of a conspiracy. They point out that some of the unions which have been at the centre of disruptive action have been white-collar unions without SUP leanings—the airline pilots, for example.

And, unionists say, far from helping Douglas' candidacy, SUP militancy would frighten off votes among the moderates.

Douglas and Andersen are said to have been at odds over left representation on the FOL executive. But there is no evidence of a split.

Instead, the left is seen in non-left union circles as being solidly behind Douglas' bid for the secretary's post—to the extent that it has put its voting strength behind Jim Knox's presidential ambitions in the hope of moderate support for Douglas.

Unionists see the causes of the recent unrest in various ways. Broadly, these are:

- The Government is preoccupied with its huge problems of economic management and is therefore at its weakest as a potential industrial referee and stick-waver. This, say some union sources, has encouraged some unions into the ring who might otherwise have been more cautious.

- The Government is expected by most unionists both to abolish, or suspend, general wage orders early in the new Parliament which meets next month and to reintroduce other controls over wages. Workers need therefore to get in quick if they want to beat the curtain.

- Employers are putting up more resistance to union claims. This is the season for settling house agreements and the Employers Federation is trying to co-ordinate and stiffen employer response to union demands.

One union source last week asserted the federation had several times recently flown in troubleshooters to dissuade buckling employers from making concessions.

- Some employers are said by union leaders to be bidding up wages for skilled labour, which is short in Auckland, Wellington and Dunedin. This creates unrest among workers who do not get the increases. It also raises problems over observance of the 12-month rule on wage agreements.

- Shop stewards and workers at shop floor level, having spent most of the 1970s under various sorts of state controls, don't have the same respect for written agreements with employers they once had.

This last view is held by the secretary of the Engineers Federation, Jim Boomer, who sees uncertainty over future employment and frustration at seeing earnings eroded by heavy taxation as contributing factors.

"Workers are far more inclined to take industrial action on principles than before," he told NBR.

Speaking of his own union, which he said had been trying to educate shop stewards and rank and file workers in the value of unionism, he said:

"Workers are making more decisions on the shop floor than in the history of New Zealand.

"We are in a period where this new power is being widely used and not always in a responsible manner.

"The role of the union official appears to have changed.

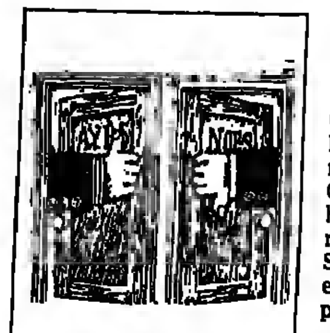
"I regard myself as a paid adviser. Invariably the members used to accept the advice I dispensed. Now they listen to the advice and try to improve on it."

The result: unofficial industrial action, which, if it does not succeed, involves the union officially later.

Boomer sees a need for a basic wage system, with agreed margins for skill (this view is also gaining ground among unionists). The alternative, as Boomer sees it, is "survival of the fittest, as it is now".

A pointer or two from minority politics

by Colin James



POLITICS

A GOOD vote for a third party in a first-past-the-post electoral system provokes talk of changing the voting system to reflect more accurately the voting proportions.

Some people hold that it is manifestly unfair that Social Credit should have got 16 per cent of the vote in November, but only 1 per cent of the seats.

Even Labour leader Bill Rowling — who was denied the seats to go with his party's lead over National in votes — has made noises about investigating alternative voting systems (but you can bet he won't agree to any substantial change).

Others have extolled the virtues of the West German system, under which every party which gets more than 5 per cent of the vote gets a proportional share of seats.

Under that system, Values would have just squeezed into the House in 1975 and Social Credit would have had representation ever since it first took to the hustings in 1954.

Quite possibly Social Credit would have occupied the disproportionately powerful position the perennially low-polling Free Democrats hold in Germany — a semi-permanent junior partnership in governing coalitions headed by both the major parties, with leverage on influential posts as long-serving agriculture minister Josef Ertl has proved with his high farm prices.

I suspect some of those arguing for the adoption of the German system here might not have contemplated with equal enthusiasm 25 years of pivotal Social Credit votes in the House and, possibly, at the Cabinet table.

In fact, Bruce Beetham and Co came close to that last November. A few hundred more votes to Nevern McConachy in Kaipara and a few hundred more votes in the right seats to Labour and Social Credit could well have ended up with the balance of power.

That would have meant one of the major parties would have had to try minority or coalition government, unless they were game to try another election.

The last time minority government was tried in New Zealand was in 1928, when an incompetent Liberal Government staggered on for two years with Labour support in the House before collapsing into the arms of its old enemy, Reform, in a coalition.

Ever since then, most New Zealanders with an oar in the political system have instinctively shuddered at the thought of minority politics.

For 40 years politicians in mother Britain had the same instinct. Minority government was somehow not done, like the continental habits of putting garlic in food or jumping bus queues.

The arrival of Harold Wilson's minority Labour Government in March, 1974, with less than 40 per cent of the vote and fewer than half the seats in the Commons, changed that overnight.

Fear of the potential leverage the minority left might have within a majority Labour Government turned many a majoritarian steak-and-kidney queuer into a minoritarian garlic-chomping queue-jumper.

The Labour Party had fought the February, 1974, election on a platform that read like a handbook on the introduction of state socialism. Vast powers of control, intervention, takeover, wealth confiscation and social levelling were proposed which made Roger Douglas's superannuation fund look about as threatening as an eight-year-old's chemistry set.

What was worse, people like Anthony Wedgwood-Benn, Barbara Castle, Michael Foot and even Reginald Prentice (in education) methodically set about doing what the manifesto said they should.

Those were heady times. No sooner had Harold tabled his programme of business than Conservative back-benchers were calling for a Callaghan-led coalition of moderates, thereby setting up an echo that has bounced around middle-class Britain ever since.

Colonel Blimps emerged from their backyard bunkers up and down the nation, announcing the formation of genteel and not-so-genteel organisations to save Britain from itself.

There was serious discussion by otherwise serious people of the possibility, desirability and mechanics of an army takeover.

A former Labour Cabinet minister, Christopher Mayhew, still sitting as an MP, joined the Liberals, who were then in vogue, having won 19 per cent of the vote and 2 per cent of the seats with their programme of moderate moderation.

Suddenly, too, the most unlikely people began to write learnedly on the merits of proportional representation. Converts included the Economist newspaper and Lord Carr, both eminent Conservatives (in fact, one of the largest off-floor meetings at the Conservative conference in 1977 was on PR).

The cue was the way the multi-party Commons was squashing the minority Government's attempts to carry out some of the more adventurous bits of its programme, thereby immobilising the Labour left.

One instant convert to the new wisdom was S E Finer, Gladstone professor of government and public administration at Oxford University, a majoritarian who was struck, Paul-like, with a blinding flash of minoritarian light:

"This 'normal working'," he wrote, explaining his switch in the Guardian in September, 1974, "is, effectively, the alternation of two majoritarian parties in Parliament and, consequentially, the alternation of two politically antipodal governments which could, and did, ram through Parliament pretty well everything they had agreed with sectional interests outside the House and with party committees 'upstairs' (that is, in the committee rooms) in the House."

The public obviously went some way along the same route. In the October election of 1974, they gave Wilson a majority of three over all the other parties. The pundits did not expect the sickly child to last very long.

The overall majority technically disappeared a year later when two Labour MPs in Scotland defected to form a Scottish Labour Party, but it was not until March, 1977, after a string of by-election losses, that the Government was in real danger of losing a confidence vote.

A pact with the Liberals to uphold the Government in confidence motions kept it going another 18 months and, after that a shaky arrangement with the Scottish and Welsh Nationalists kept it going six months more.

By the time the Callaghan Government fell — ironically, not because it did not have the numbers but because one of its number was too ill to vote — Labour had served out 4½ years of its five-year term and had survived a little more than five years in total, most of it without an overall majority.

In the meantime the text books on Westminster parliamentary democracy — our sort — had to be rewritten. From March, 1976, onwards the Government had repeatedly defeated legislation and even budget plans, but had not automatically resigned.

Each time a defeat was thought serious enough a confidence motion was put down and the motley crew rallied to keep Wilson or Callaghan in office.

In the meantime also, big chunks were knocked off radical nationalisation, taxation and social equalisation programmes until they were barely recognisable. Britain is more socialised than it was in 1974, but not to a much greater extent than might have been expected had the corporatist Heath Conservative Government stayed in power.

In legislative terms the last two years were consumed by devolution of power to Scotland and Wales, which has nothing to do with Labour ideology.

However, this supposedly shaky Labour Government restored a measure of stability to Britain. In 1974, after Heath had backed himself into a corner with the miners and lost, there were real and widespread fears that Britain was becoming ungovernable.

Pragmatic Wilson cobbled together a seemingly fragile "social contract" with the unions that confounded the cynics by working, after a fashion, until late last year and helping to bring down inflation.

Pragmatic Healey managed to introduce, after a fashion, a monetary target and make it work well enough to get the pound afloat again, with help from North Sea oil.

Wilson outmanoeuvred the left wing and got an overwhelming yes vote for staying in the EEC while he and Callaghan, by a hotch-potch of shabby compromises, eventually dulled interest in Scottish self-government.

And all this while ministers openly flouted the rule of collective responsibility; others died, resigned, were sacked for disobedience or even, in the case of Prentice, joined the Conservatives while the left occasionally joined forces with the Tories over Government spending and incomes policy; while the party's national executive containing several Cabinet ministers (most notably the irrepressible, skilful doctrinaire aristocratic socialist Benn, chairman of the "home policy" committee) concocted ever more fantastic nationalisation plans.

Jugglers' balls clouded the sky, yet Callaghan's avuncular style made it seem somehow sane and normal.

Politics in Britain from 1974 to 1979 became more colourful, more unpredictable, and a great deal less tidy and less stifling than it had been. And I think, on balance, more democratic.

The Wilson-Callaghan years will not be remembered for forceful, visionary statesmanship. But they may warrant a measure of recognition for constitutional innovation.

Our hermetically sealed body politic (the National Party's dominion council's recent meeting apart) could do with a taste of their medicine.

ACH4

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Machines which are designed and assembled with skill and precision.
Backed up by a 24 hour force of 'tough tackling' servicemen and readily available spares.
Put the Atlas Copco name to work.

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Iran housing deal — apology

OUR article in the April 11 issue of NBR dealing with the collapse of the multimillion dollar housing deal in Iran may not have made it clear that the relationship between Extrada International Ltd and the Iranian parties was simply one of contractor and client. Extrada was not involved in any joint venture arrangement with Iranian parties. It simply contracted to supply and erect prefabricated houses in Iran for an agreed price. The Iranian company pre-sold the houses but subsequently collapsed. Extrada was not involved in any way in the selling of the houses by the Iranian company to prospective home owners, and had no financial interest in such sales. It is significant that after the collapse another company was appointed by the Iranian Government to complete the project with Extrada as the contractor. At about that time, however, the political unrest became much more serious and the project has been shelved.

NBR did not intend its article to suggest that Extrada were in any way involved in or responsible for the collapse of the Iranian company or the losses to prospective home owners. If any such impression has been created, NBR offers an unreserved apology to Extrada International Ltd and to its Chairman, Mr E A P Howarth.

Ministry's plush temporary quarters

by Belinda Gillespie

THE Ministry of Works has been accused of putting up a "palace" for the temporary use of site supervisors working on the Nelson Post Office. If the building goes ahead according to plan, that is.

The contract for the $4½ million post-office — at present the subject of a legal dispute (see NBR April 18), — was let in January.

The job is planned to take three years, but plans for the temporary site office suggest a building with a much longer life.

Apart from features more suited to a permanent building, plan details have caused Nelson contractors to accuse the ministry of reckless spending of public funds.

The matter was referred to the New Zealand Contractors' Federation by a member of its Nelson branch.

Executive Director Bob McKnight has written to the Commissioner of Works questioning the sophistication of the plan, and is awaiting a reply.

Among aspects of the plan questioned by the contractors: the two-storey, 1680 sq ft building has walls, floor and ceiling fully insulated against the rigours of the Nelson climate. Although the exterior wall sheathing is the traditional austere asbestos, the cover battens have one undercoat and two top coats of paint specified, and the roof also is to have two top coats.

Inside, ceilings and walls are to be painted with sealer and two coats of PVA, colours specified. Doors, architraves, skirtings, benches and cupboards will be tastefully stained walnut.

Sliding aluminium windows and aluminium interior doors apparently are considered necessary features, despite the projected short life of the building.

The vinyl flooring called for on level 1, and level 2 toilet and washroom seems luxurious enough to contractors accustomed to the bare boards of the usual temporary site hut. But they are flabbergasted at the dark brown, looped pile carpet on double weight felt underlay specified for the rest of the upper floor.

While the stainless steel sink bench and wash-hand-basin could be justified, the contractors dispute the necessity of 10 fixed coat-hooks for the supervisors' use.

The building includes eight offices, a kitchen and store, and will be served by a total of eight telephones.

A rough guess puts its cost at somewhere around $45,000.

The elaborate facilities are rendered even less necessary by the proximity of the regional office of the Ministry of Works — the contractors say it is about five minutes' walk away.

McKnight considers the Nelson contractors were justifiably upset when they saw the standard of the office planned for the site supervisors. He claims that no private contractor would erect such an expensive temporary building on site.

"As a federation we are concerned about the wasting of resources generally by government departments. This type of extravagant planning is just another example of a waste of taxpayers' money."

Geoff Thornton, assistant government architect at the Ministry of Works, was unable to give an official comment on the plans and the contractors' letter, which were still under consideration. But he said he thought that the plans were probably over-sophisticated — "Not our normal standard by any means".

The controversy over the site office underlines that involving that of the Post Office itself, which architects have described as of grossly inefficient design.

Better planning could have reduced the cost by 20 per cent, according to one estimate, and lowered the height by a half, to a size in keeping with surrounding buildings.

Planned by post-office architects, the building is another outstanding example of extravagant planning by a government department funded from taxpayers' purses.

Colour photocopying: security risks

DEVELOPMENTS in photocopying technology have not only opened up a new service market . . . they have posed a new set of security problems.

Xerox is producing colour copiers which reproduce almost perfect copies of coloured slides, photographs, drawings, brochures and charts.

Xerox Corporation of the United States began developing the technology of the colour machines about 10 years ago. The machines have been available on the American market for almost four years.

And from the outset, they excited considerable interest as potential aids to counterfeiters in forging stock certificates, cheques and other negotiable instruments.

In the United States, the security industry banded together and formed a squad to develop security methods and monitor technological developments in reproduction.

Colour copiers have not yet arrived in New Zealand and the Reserve Bank is not worried by the security problem they might pose.

Deputy Governor Dick Wilks says reports received from Canadian and American banking authorities show no particular concern at their use or misuse.

"There is some danger of counterfeit notes being produced," he said. "But the really big forgeries are done in a more professional way, using much more sophisticated equipment."

The Bankers Association is concerned at the prospect of colour copiers arriving, but is adopting a cautious approach, realising they may be unable to prevent their use.

The machines were introduced to Australia in recent months and quickly drew the attention of both the Reserve Bank and the Australian bankers association.

Representatives from these bodies have examined the machines and been made aware of their potential.

"If there are any indications of forgery associated with the machines it will be a matter for the currency squad," a Reserve Bank official there said.

"We are aware that the industry has had some problems overseas, but they are the responsibility of the fraud squad."

A spokesman for the Australian bankers association said his members were aware of the machines and their potential and were monitoring progress. But the association had no plans to move for restrictions on importing the machines.

EDITORIAL

THE Government caucus — presumably inspired by party chairman George Chapman's call to inject free-enterprise principles into policy-making and attracted by notions to lease television facilities to private operators—spent much of last Thursday morning discussing the Broadcasting Corporation. Considering the multitude of issues demanding Government action, the MPs' preoccupation with the activities of one state enterprise is an indictment of their sense of proportion. Considering, further, that the discussion "ended in utter confusion" (according to the Prime Minister), their capacity to tackle the much more fundamental problems facing this country becomes highly suspect. If they want to promote the interests of the private sector, they should regard broadcasting and its request for higher licence fees as a trivial matter compared with — for example — the decision announced by the Prime Minister a few days earlier which in one day wiped out millions of dollars of wealth.

That decision—foisted on the commercial world with no warning — took effect this week as the Government tries to mop up liquidity and boost public finances with a cash loan offering as much as 13 per cent for five years, to be followed by an issue of savings stock at rates of 8 per cent for under a year and 11 per cent for one to five years.

At a time when the Government should be stimulating business confidence — which the Institute of Economic Research shows is at depressingly low levels — the decision sent the stock market into an almost immediate slump. The NZUC index registered its biggest fall in years last Wednesday, and the inevitable decision to impose higher rates of interest for local authority loans put the seal on matters.

The reason for the Government's action is understandable enough. It is worried that there is too much money in the economy. A combination of two factors has resulted in a rate of growth in the money supply of more than 20 per cent. First, although invisibles are increasing, and although the situation is bound to worsen, the balance of payments deficit has been steadily reduced. Less money flowing out of the country to pay for imports means more remains inside to be spent. Second, National's election bribes resulted in hefty Government over-expenditure and tax cuts last year and in excessive stimulation of the economy. The Government now is concerned to ensure that this does not result in too much inflation.

..But putting up interest rates itself is likely to be inflationary. Other finance organisations must put up their interest rates to compete.

The big objective is to encourage real growth, which means investment in the private sector must be encouraged.

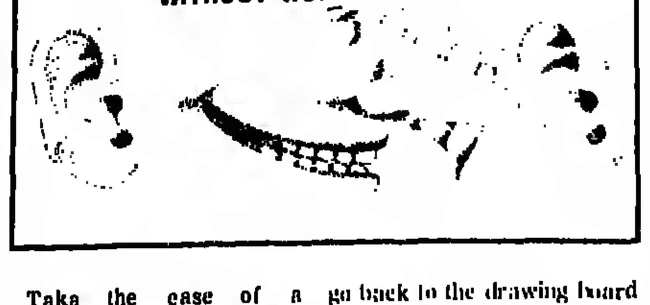
But instead, the Government stunned the business world (which had been anticipating an interest rate around 11 per cent) with its 13 per cent enticement to invest in the state. The pervasive effects of the decision are still being calculated, but there are obvious implications for everything from the Moneylenders Act and bank overdrafts to building societies and savings banks which rely largely on housing finance and which can expect few takers at rates increased to 15 per cent for first mortgages.

Thus the implications of the Government's move are alarming — unless, of course, there is an overall strategy of which they are a part. But there is every reason to doubt there is such a strategy because Finance Minister Muldoon — so voluble about whether two cameras or one should cover his departure from airports — has given no hints of one, nor invited public debate on how such a strategy should be shaped.

Mr Muldoon has been spending much of his energies writing newspaper columns which denigrate broadcasters and warn newspaper owners that their chances of securing television leases are dependent on the right editorial judgment being displayed — an obvious attempt to discourage criticism of his performance. He would do better to spend his energies on shaping our economic future, and to devote his newspaper talents to enlightening us on how he proposes solving our most urgent problems.

Bob Edlin

WITHOUT WORD OF A LIE



WE suppose that every little bit helps, considering the state of our balance of payments and continuing exhortations to export. But Social Credit rather put its trading achievements into a curious perspective when it sneered that the "National Government's fiasco in improving trade with Australia confirms that nothing better can be done under the orthodox system."

Socred economic spokesman Lea Hunter observed that both the Australian and New Zealand Governments would have better spent their time negotiating a reciprocal and equal exchange of trading credit to the order of $500 million. With that amount available in both countries, manufacturers would be able to expand trade, employment and business opportunity without each vying to impose unemployment and wrecked business upon the other.

The Australians appreciated that taking off trade controls under the present system would merely transfer problems of increased unemployment and wrecked business to the country liberalising its imports, Hunter pontificated.

"Liberalisation of trade must be a two-way process initially applied through the bilateral exchange of credits between two willing partners."

Thus Hunter could scarcely disguise his disdain for the fact that the failure of the trade talks with Australia contrasted with the success of the pilot trade scheme initiated by Social Credit personnel with — of all places — the Solomon Islands.

●

IT seems Government policy-makers are apt to become somewhat lax when it comes to conveying their decisions to those who are supposed to implement them.

Senior people in the Ministry of Works have been known to get their information from newspapers, often days before an official communication reaches them.

Take the case of a Ministerial announcement in February, that the National Library building and the new Chief Post Office building — both casualties of the boilermakers' dispute — were to be redesigned to provide for the replacement of the proposed reinforced steel structures with concrete.

According to one official, those who were supposed to carry out the work received their official instructions after reading of the decision to redesign in the papers.

The official memo came, apparently, in response to an inquiry requesting confirmation of the report.

Assistant Government Architect, Geoffrey Thornton couldn't recall this particular case, but said communications breakdowns sometimes happened. The Government makes an announcement to the press sometimes two to three days before the appropriate department is notified.

The explanation from the Minister's office was that policy decisions often result from a recommendation from the department concerned — and this was probably such a case. The policy decision would have resulted from a proposal put up by the department earlier.

Both projects appear to be going smoothly, anyway. Within a week the new preliminary estimate of cost for the National Library building will go before the Cabinet Works Committee for approval.

Officials say there are no problems with switching the design on this building; but for the Chief Post Office the new plans require the designers to go back to the drawing board and redesign from scratch.

Preliminary designs are at present under way. Tenders for both buildings won't be called for some time, if there are to be fresh tenders.

Tenders had already been called for the old structures but none had been accepted before Government decided it would be better to redesign the buildings.

One of these may yet get the nail.

●

WHO could withhold applause for the wisdom embodied in the speech of the National Party's major prophet, George Chapman, when he listed the desirable virtues including that old-fashioned one, thrift.

Let us hope, then, that no party supporters in the National stronghold of Karori were too disappointed when, a few days after his speech, they sought to open a savings account at the Karori Post Office, only to find it was out of pass-books. But Chapman did have something to say about bureaucracy, as well, didn't he?

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THE private enterprise message seems to be getting through to the Muldoon administration.

We note with interest that a Government team being sent to investigate processed-food trade opportunities in North America and Europe isn't stacked with officials from the bureaucracy. Indeed, only one of the five is a civil servant — C E Sinclair, from Trade and Industry.

The Processed Food Export Opportunity Team as it has been dubbed is being led by R Donaldson, of the [illegible] Promotion Council and president of the Export Institute. Other members are Mary Earle, reader in [illegible] technology at Massey University, N H [illegible], export development manager of Wattie Industries Ltd, and Owen Cook, [illegible] relations officer for R & W Hellaby Ltd.

Export opportunity [illegible] operate as a joint [illegible] between Industry and Department of Trade and Industry, Overseas Trade Minister Talboys, explained when announcing the team.

The group left on April [illegible] will visit Los Angeles, London, Paris, Bielefeld, Hamburg, Copenhagen, New York, Toronto, San Francisco and Honolulu before returning May 11.

Its task: to undertake discussions with [illegible] organisation, importers and manufacturers, and [illegible] observation in supermarkets and specialty food stores, identify products in demand in these markets which [illegible] could be manufactured [illegible] supplied from New Zealand. The team intends also to identify trends in consumer demand and new developments in food processing to observe how overseas companies market their products on export markets.

Its report will be [illegible] available to New Zealand companies and organisations interested in the production and or export of processed foods.

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SO how does an enterprising Aussie outdo the sale of the Sydney Harbour Bridge to an innocent foreigner...?

One Australian company is well on the way to doing it by negotiating the establishment of the first advertising agency in China.

Fortune (Australia) Ltd, the first Australian advertising agency to open offices overseas, is thus shaping to become the first company in the world to gain access to the huge and untapped potential China media market.

Negotiations are under way to establish the office in Peking.

Fortune has two offices in Hong Kong, and according to chairman Ken Landell Jones: "We looked across the sea to China and saw the incredible changes taking place there and thought it was necessary for the country to have an advertising agency. The development of China over the past 12 months has been quite dramatic. I think they changed their philosophy about selling and trading to the world 12 months ago."

Llandell was confident his company's expertise "can help the Chinese to export more of their products on the world market".

He said the Chinese were already shrewd in their selling tactics — "but we could help them open up new areas of products. Food, toys, plastics and china are all potential overseas sellers".

●

PEOPLE who live in glasshouses and all that . . . but some sort of record must go to the Wairarapa Times Age for a recent front-page story about the return to work by striking soft-drink workers and the amount it saved Ballins' Masterton branch.

The headline said the saving was $12,000, the lead paragraph said about $11,000 and paragraph 13 makes it $11,500. We don't know whether the gremlin responsible is the same one who keeps calling George Gair Minister of Regional Development.

The paper's troubles have been compounded, perhaps, by the shortness of stay by editor Jim Donlan, ex Ashburton Guardian and Manufacturers' Federation. Donlan's resignation from the Times Age, after less than a year and to mutterings about editorial interference, came as he worked to improve the newspaper's coverage of its circulation area and of certain topics. It is understood he felt — given the Wairarapa's rural character — that the farming coverage, consisting largely of contributed pieces by local MAF advisory officers, was in urgent need of upgrading.

The sudden hiring of replacement editor Jack Brown caused considerable surprise. Brown, a local public relations consultant and more recently Masterton's PRO, had an existing connection with the Times Age — as collator of the paper's farming page.

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THE Minister of Energy looks like he means it when he solemnly tells us our oil stocks are in sad shape and the need to conserve is urgent.

But the conservation cause he espouses seems at odds with some of the policies of the Government of which he is a member.

Maybe it's just a matter of a communications breakdown over the Cabinet table, where these things are supposed to be reconciled. Whatever the reason, we are told that the Dominion Oil Refinery has a substantial capacity for recycling oil. But they can't sell a drop of it to the Government.

There doesn't seem to be anything wrong with the stuff. The Auckland Regional Authority, for example, uses it in its buses and it was given a good okay by experts from Mercedes who make these buses.

But other major local bodies won't use the recycled oil either, — not till the Government uses it (an almost Catch 22 situation for Dominion Oil).

Indeed, there are some local bodies which sell used oil for burning, rather than to the company which can recycle it.

●

We see the PM's calling us the "Sunday News of the finance world". Well we wouldn't really know — we don't read that particular publication.

But as someone said to us, "The PM should know — he's a Sunday News sort of Prime Minister".

●

THEN there are the antics of the Prime Minister as he grizzles about the assignments of camera crews and current affairs teams and carps about the general running of the Broadcasting Corporation....

Well, it's interference enough to cause a Lord Reith to resign, said a gentleman pontificating at a bar in downtown Wellington.

Lord Reith maybe — but if BCNZ chairman Cross were to quit, where else in New Zealand could he go to command the same sort of salary? said the other.

He could become an airline pilot, said the first.

●

A MERGER between the Egg Marketing Authority and the Meat Board...? Don't rule out the possibility.

We learn from across the Tasman that Australia's forbidden export, the merino ram, can be taken out of the country in spite of trade union bans and embargoes by the Federal Government.

Two groups of people have sought government approval to export fertilised merino ewe eggs...This is specifically restricted. But as Australian Association of Stud Merino Breeders president Don Vanrenen points out: "There is no way it can be prevented or policed if anyone chooses to develop this outlet."

Animal breeders have known for a decade how to implant the fertilised ova of female livestock into the breeding tracts of other animals. Eggs from a merino ewe fertilised by a merino ram could be inserted into a ewe of any other breed and airlifted out of Australia.

But the technique had never before been raised as a means of beating export bans.

●

YOU would expect that if you were going to find good child-care facilities, it would have been at the big women's convention in Hamilton at Easter. Women, after all, are putting increasing pressure on employers to provide creche facilities and to take a more liberal attitude to the presence of young babies at the workplace.

But mothers attending the convention found extremely limited creche facilities. They had to deliver children 3km from the conference venue, which created difficulties because most conference activities went on to 5.30 p.m. and later.

Nursing mothers could bring their babies to the conference...but organisers entreated them to depart from conference activities if their babies created any normal baby fuss.

●

MEMO to the protocol officer — if there be such a creature — at Parliament Buildings.

We bumped into one of the new MPs the other day, and he wasn't complaining but he had a nice point to make.

His wife has had an invitation, all official-like, to the opening of Parliament next month.

But the MP — along with his colleagues — hasn't been advised of the opening. At least, not officially.

The only reason he knows about the ceremony in which he is expected to participate is because he read it in the papers and has had his information confirmed by word of mouth and by his wife's news that she had been invited.

●

THE Prime Minister's continual carping at Broadcasting Corporation staff and BCNZ spending is having its effects, apparently.

One TV2 reporter is said to have been instructed not to mention Muldoon in recent interview with National Party chairman George Chapman (on the grounds that Muldoon was irrelevant to any meaningful discussion with the party chief).

Perhaps just as well for public edification and enlightenment, the instruction was subsequently withdrawn.

●

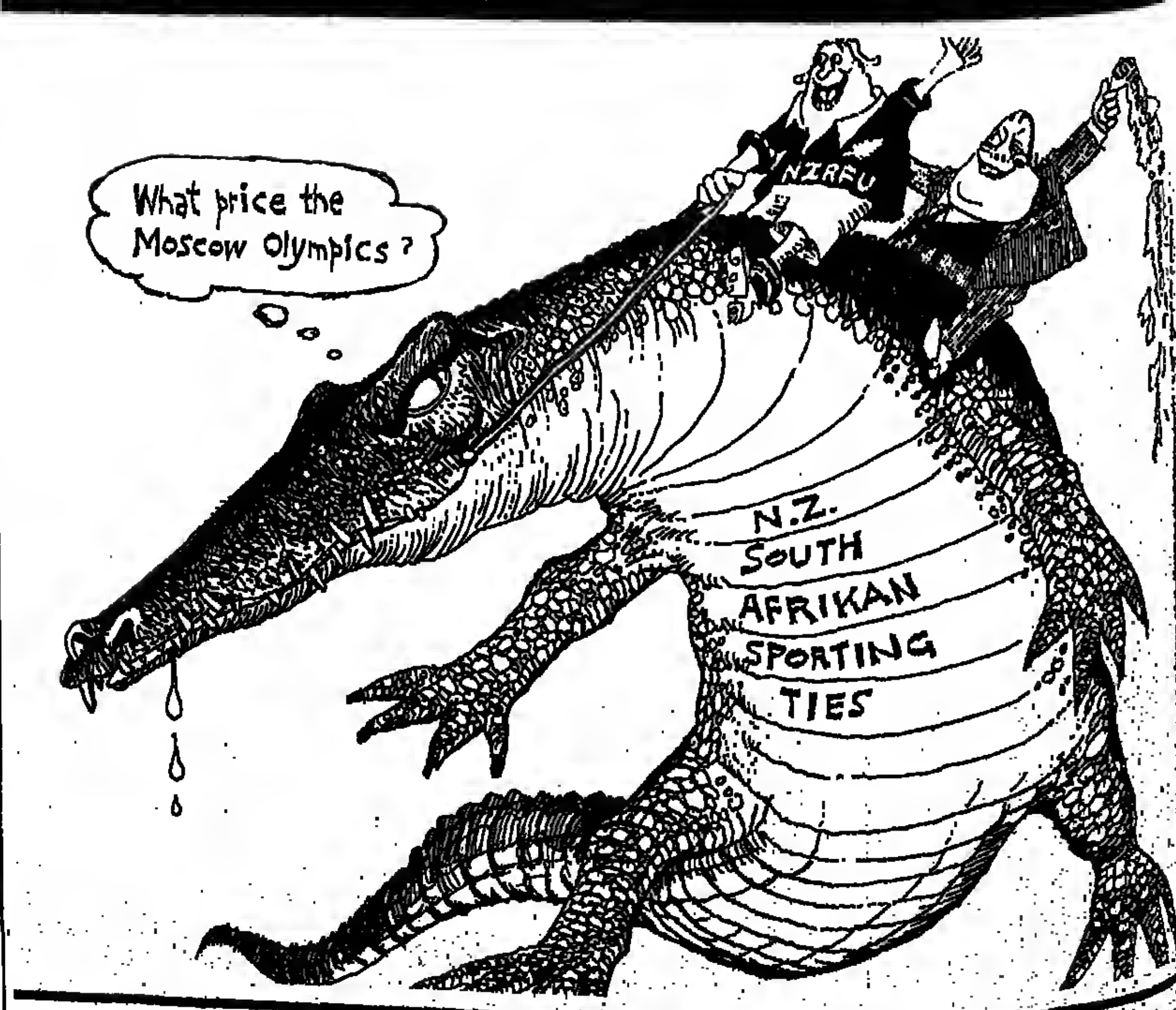
Book of the week: borrowed from the Queensland Parliamentary Library and seen recently on Jon Bjelke-Petersen's desk — Never Back Down, by Gideon Tait, an autobiography by one of New Zealand's best known policemen.

●

INFORMED rumour has it that a major stumbling block to supplementing New Zealand's liquid fuel supplies with methanol lies in distributing the stuff.

Petrol is distributed by the oil companies and handled by oil company employees. But methanol is classified as a chemical and as such would have to be handled by watersiders — which, according to these sources, would involve unacceptable costs.

BROCKIE'S VIEW



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Key indicators

		Current Period	Previous Year	Per cent change
Consumers Price Index — all groups base Dec 1977 equals 1000	MARCH 79	1168	1050	+10.00
Building Permits Issued	DEC 78	$100.4m	$84.0m	+20.00
Official Overseas Reserves	DEC 1978	$1078.7m	$1178.8m	−8.00
	FEB 79	$774.5m	$645.1m	+20.00
Registered Unemployed — incl those on special work schemes	MARCH 79	18,842	12,016	+56.00
NZUC Share Price Index	19th April 79	556.42	519.49	+7.00
Reserve Bank Share Price Index	18th April 79	1453	1611	+9.00

Maybe no revolution — but certainly upheava[l]

by David Robie

THE MEDIA

IN spite of technical mishaps and frustrations, Auckland's air-waves newcomer Radio Pacific has made a dramatic debut on the newsfront.

It was impossible for the station to make much impact on the first day — which already had been put off a week because of holdups with the transmitter — because of an embarrassing run of studio hitches.

But by the next day the much-touted news service was making its presence felt. And by the end of the week the station's news coverage was streets ahead of the commercial opposition, including the state-run 1ZB with its national links.

Managing director Gordon Dryden had pledged a revolution with his station. In the news gladiatorial arena this was to come through a semi-national pool with Radio Avon in Christchurch and a joint Wellington bureau.

In international news, Radio Pacific made a break with media tradition by snubbing the New Zealand Press Association monopoly and taking a direct world wire service in English, from the French news agency Agence France-Presse (AFP.)

Pacific is the first local news organisation in a decade to make such a move — since the one-time pirate station Radio Hauraki and the formerly Independent Sunday News took shortlived services from the American news agency United Press International (UPI.)

The results of both national and international services have been remarkable, as shown in Pacific's inaugural news week which went like this:

Tuesday April 10: Generally ahead of its opposition (apart from the national YA network) on the air pilots' strike. On its 6pm bulletin, Pacific broke the story of the plans for a national anti-apartheid campaign during the French rugby union tour this year in a bid to stop the Springboks tour of France in October-November. (This was followed up three days later by Radio New Zealand).

Wednesday April 11: At 8.45am Dryden's newstalk programme was interrupted for a flash from Madrid quoting Soviet Vice-Premier Ignati Novikov, who is vice-chairman of the Moscow Olympic Games Organising Committee, saying countries having sports contacts with Rhodesia or South Africa would be excluded from next year's games. (The warning was mainly directed at [...] which is due to [...] Springbox tour late[r this] year.) Pacific followed [...] with a full report in the[...] news bulletin.

The other Auckland st[ations] were left floundering try[ing to] match the story while P[acific] had ideal controv[ersial] material for David Be[...] talkback, first with [...] Richards, then with [...] — just back from South [...] — and John Walker on th[...]

The evening new[spaper] Auckland Star, apparent[ly not] bothering to monitor Pa[cific] didn't know about the [story] until tipped off. Then [...] urgent requests to the [...] for cover.

NZPA (which has the rights to AFP through Australian Associated [Press] editing service) event[ually] supplied the story mor[e than] three hours later in tim[e for] Radio New Zealand to ma[ke the] noon national news bul[letin] and for the Auckland St[ar to] fudge one paragraph into [...] edition (making it the [...] page lead in later edi[tions]).

Thursday April 12: [...] came the nit-picking [...] NZPA circulated a rep[ort to] newspapers and radio st[ations] saying it doubted the a[...] of the story (merely on [the] basis of Reuter having [...] it). The agency ignor[ed] basic journalistic tec[hnique] when in doubt, che[ck the] source, — and failed t[o get] verification from AF[P.] NZPA also faile[d to] acknowledge the fact t[hat it] later confirmed the s[...] of the report. It had be[en] by a senior staffman [...] Russian and Spanish [...] backed up by an [...] interpreter; Reuters [...] the Novikov press confe[rence] was a staff teleph[one] operator from its Ma[drid] bureau who helped [...] reports. The Briti[sh] Broadcasting Corporat[ion] ran the story indepen[dent of] AFP.

Friday April 13: Pacif[ic] in front with early repo[rts] the United States sp[...] South Africa row a[nd] Rhodesian raid on Pa[triotic] Front nationalist co[mmander] Joshua Nkomo's he[adquarters in] Lusaka. The station wa[s] on air also with [...] International Olym[pic] Committee presiden[t Lord] Killanin's warning to [...] on the Springbok tour.

Saturday April [14]: [a] followup on the O[lympic] exclusion threat story [...] Novikov's superior [...] games organising com[mittee] Vladimir Popov, [...] down from the [...] position and suggest[ing a] misunderstanding. B[ut the] "Novikov" affair left [...] speculation that the S[oviet] Union could still spr[ing an] exclusion move closer t[o the] games — like Canada [...] barring Taiwan at the [...] moment at Montreal [...]

As Radio Pacific's [...] reporter Paul Campbell [said:] "This whole thing has [been] perfect for us — first [...] news and then the follo[w-ups.] Our opposition can't [...] now, they have to ta[ke us] seriously."

The promised revo[lution] might not have come of[f ...] of Radio Pacific but the [...] has certainly caused a [...] upheaval.

Dark-horse Neary makes the cakewalk slippery

by Colin James

IN THE past couple of weeks some of the icing has come off Jim Knox's apparent cakewalk into the Federation of Labour presidency.

Support has been building for veteran electrical workers' secretary Tony Neary.

By late last week Knox still appeared to be well ahead in the race.

But Neary seemed to have pushed into second place in front of Canterbury freezing workers' secretary Wes Cameron, collecting votes from those who want a new direction for the FOL.

Knox is the heir apparent, due for his reward after 10 years of loyal service as FOL secretary during Sir Tom Skinner's reign. Sir Tom himself has said he expects Knox to get the nod.

Though it will not be clear until this week whether Sir Tom is right, the arithmetic looked good last week for Knox.

He had on his side, for instance, the powerful engineers' one of the two biggest in the country, whose secretary, Jim Boomer, is the FOL vice-president. Boomer, who is close to retirement, considered standing, but withdrew in Knox's favour.

Knox can probably also count on the 100 or so votes dispensed by the left block, which sees a chance of getting one of its number into the secretaryship which would then become vacant.

Drivers' Federation president Ken Douglas, a member of the Socialist Unity Party, and the FOL executive, is expected to put in for the secretary's post.

However, moderate unionists were last week not giving him much chance of winning even that race. Attention was centering round Carpenters' secretary and FOL executive member Ashley Russ, though some union leaders would prefer a more dynamic and younger person.

Some moderates expected Cameron might have settled for the secretary's post. But he has put himself offside in some quarters by challenging Knox.

One high-level union secretary last week forecast a long spell in the cold for Cameron as a result of his challenge.

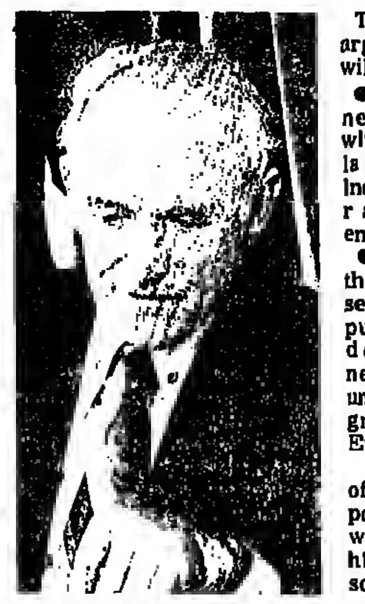
Cameron cannot be discounted. But his chances in the presidency race look dim, particularly since the Auckland freezing workers have gone over to Neary.

Others said to have joined the Neary Camp have included the hotel workers, the country's third biggest union. The biggest union, the clerical workers, will not decide their vote until next week, but there were unconfirmed rumours last week of leanings Neary's way.

If that happened, Neary's challenge would become serious, especially if Cameron's votes went his way in the preferential count.

Neary initially was reluctant to enter the presidency race. Ever since falling out with FOL boss F P Walsh in the early 1960s, he has been something of a loner in the movement. He has, for instance, never served on the FOL executive.

But he has won a reputation that extends outside the movement as a good administrator and a skilful, innovative negotiator. He negotiated New Zealand's first productivity deal. He set up the famed "electricians ratchet" which links state and private rates in a self-fuelling spiral.



TONY NEARY . . . veteran gathers support.

He also has a good public image — articulate and reasonable.

Those pushing his cause argue that the new president will need to:

- Have the standing and negotiating skill to deal with the Government in what is expected to become an increasingly tough and maybe rapidly changing environment.
- Push through reforms of the FOL to strengthen its services to unions and its putative co-ordinating role in developing cohesive negotiating strategies in the union movement to match the growing cohesiveness of the Employers' Federation.

Skinner was good at the first of these, maintaining a close personal working relationship with ministers that enabled him to make deals behind the scenes.

But under him, the FOL has not developed a central co-ordinating role. Though research services have improved in the past few years, they fall short of what some unions want.

There are no doubts as to Knox's instinctive dedication to the union movement. He has shown that through his willingness to work long hours for a salary that is below what one large union pays its field organisers.

He has proved himself in countless wage negotiations as a tough and straight battler for the worker, with whom he has a close rapport.

He offers also a background of a decade of deep involvement in FOL policy and tactics and some unions see the continuity he could provide as important in the period of uncertainty that faces the union movement.

But there are doubts that he has the flexibility to match wits with the Government and other national pressure groups on the shifting sands of top-level politics, or the far sightedness to develop the FOL into the tightly-knit union spearhead some unions think the declining 1980s will demand.

It is these doubts that have made the opening for Neary.

Muldoon's last chance for single digit inflation

Economics Correspondent

PRIME Minister Muldoon has been boasting since he took office in 1975 that his Government has the economic expertise to push inflation below 10 per cent. If he was ever going to achieve this goal, it was most likely to happen in March year 1978.

In the year to March 1979, the economy was going into its fourth year of recession, the terms of trade (the amount of imports we can buy with our export receipts) showed a slight improvement, the number of unemployed increased and there were no substantial increases in the charges of public services.

But inflation did not go below 10 per cent. Consumer prices rose 10.4 per cent between March 1978 and March 1979.

The average annual rate of inflation at March 1978 calculates to an even higher figure of 10.9 per cent.

At one time, the Prime Minister said that he would have inflation down to 10 per cent by March quarter 1977. He later revised this forecast to 12 per cent. In fact, the average annual rate of inflation in March 1977 was officially measured at 16 per cent.

Then, last year, during the election campaign, Muldoon tried to fool the electorate into thinking that the "underlying rate of inflation" was below 10 per cent. While the average annual rate of inflation did drop to 11.2 per cent by December 1978, this was still above Muldoon's target.

Muldoon has been using cap guns to fight economic problems like inflation. His policies have been all bang and no bullet. If inflation is public enemy number one, it is still alive and kicking in New Zealand.

Before 1974, inflation increased by less than 4 per cent in most years. The price of goods and services seldom rose by as much as 10 per cent in a year and in the two years inflation was above 10 per cent (1920 and 1951), double-digit inflation was a brief one year incident.

Inflation has been over 10 per cent ever since the National Government took office in 1975. Prices have usually been increasing at a rate of over 14 per cent per year and for a while they were increasing at a rate of more than 17 per cent.

The table illustrates two methods of calculating the annual rates of inflation. The columns in bold type record the actual annual inflation rates. No matter how you calculate the annual rate of inflation, it has not been under 10 per cent since June 1974.

And while the inflation rate has been falling since mid-1976, the trend is likely to reverse this year. Inflation can be expected to rise during 1979 because of the Government's election year expansionary fiscal policies. As taxpayers find themselves with more money to spend because of reduced taxes, their increased demand for limited amounts of goods and services could put pressure on manufacturers to raise prices. As most goods are no longer subject to price control, increased demand could pull prices up quite substantially.

Upward pressure on inflation will also come from a large number of increased charges for public services recently introduced by the Government. Electricity charges have increased by between 40 and 60 per cent, the price of milk has been put up by 50 per cent, butter is up 18 per cent and sugar is up 13 per cent. The Government also plans to put up rail charges. These increases were not measured by the CPI for the March quarter, but will begin to show up in the June quarter CPI.

The Minister of Trade and Industry, Mr Adams-Schneider, has publicised the good result that prices only rose 2.3 per cent from January to March this year. He has noted that except for a 2 per cent rise in the same quarter last year, this was the lowest quarterly increase in five years.

He is not likely to have anything to boast about when he sees the price increase for the June quarter this year. If the Government continues to put up charges and increase its own expenditure, and if firms react to the lifting of price controls by massive price increases, the inflation rate for the three months to June 1979 could easily be the highest ever, more than the 4.8 per cent recorded in June quarter 1977.

And if inflation for the June quarter increases by as little as 2.3 per cent, annual inflation will be running at more than 12 per cent.

It is high noon for Muldoon and it is likely he has missed his chance in the shoot-out with public enemy number one, inflation. Perhaps, he has been concentrating too much on television.

ANNUAL INFLATION RATE

Quarter	Consumers' Price Index	Change Since Same Quarter Year Before	Average Annual Index	Average Annual Inflation Rate
September 1975	720	14.6	683	13.6
December	750	15.7	708	14.8
March 1976	783	17.2	737	15.7
June	816	17.7	768	16.4
September	844	17.2	799	17.0
December	867	15.0	[illegible]	16.9
March 1977	890	13.7	855	16.0
June	933	14.1	884	15.1
September	966	14.5	914	14.4
December	1000	15.3	947	14.4
March 1978	1020	14.6	980	14.8
June	1047	12.2	1008	14.0
September	1073	11.1	1035	13.2
December	1101	10.1	1060	11.2
March 1979	1128	10.4	1087	10.9

Beaming PM fails to brighten Abcal's hopes

Christchurch Correspondent

STRUCK, perhaps with the frequency of his own visits to the South Island, Prime Minister Muldoon has been claiming on "the mainland" that the drift North of industry is exaggerated.

It's a theme which he attempted to substantiate with a Department of Trade and Industry report that only 13 Christchurch-based companies had moved part or all of their operations across Cook Strait in the past decade. And that, he argued, was balanced by 12 North Island companies locating new operations in the southern city during that period.

The platform for his remarks was the commissioning of a $6 million expansion at the Christchurch plant of Associated British Cables and he eased into an attack on the South's depression mentality.

He spoke of preferential treatment already given with an estimated $1.3 million in unit rate freight concessions, a differential in favour of North-bound freight on Cook Strait ferries, a subsidised coastal shipping service and an electricity concession for new and expanding industries.

It didn't make economic sense for a freight-intensive industry with Auckland as its market to be based in the South Island, he argued. But the South had underlying strengths, specially for companies adding value to local resources, for those producing a lightweight, compact, product, and for those aiming for a sizeable export as well as domestic market.

The PM's rhetoric wasn't as palatable as the catering for some of the "who's who" of Canterbury industry present.

And broadsides were soon being fired by Ian Howell, the energetic and articulate director of the Canterbury Manufacturers' Association, and Chambers of Commerce president A G Williams, on:

- "Ludicrous freight costs"; "Christchurch's 6.75 per cent unemployment";
- "nil population growth"; "lack of confidence in the Government";
- "hasty and ill-conceived regulations"; "energy obstacles";
- The Prime Minister's vain hopes of giving "a competent opinion on his fleeting visits".

The continued anger of the South could not have been completely camouflaged by the confidence many have in its future.

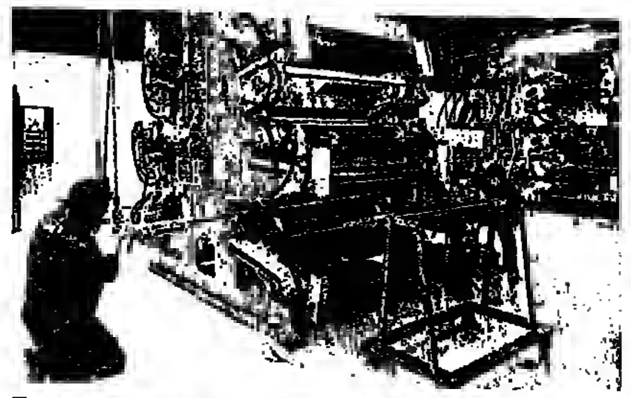
For its part, Abcal, appears to be less happy about the future than when its expansion first got under way (as an answer to expectations of soaring demand for electricity and wiring).

The economy was looking bright in 1974-76, and it is easy now to appreciate that it was logical to worry at the time about coping with demand generated by use of a large amount of power in the 1980s.

Projections for 1985 power demand were based on a continuation of the boom with a figure of 44 million gigawatt hours bandied about. The most recent projection for 1985 requirements is a rather sober 26.7 million gwh.

In 1975, there were delays of a year between time of order and delivery of 11,000. volt cable and Abcal's existing plant couldn't cope. An expansion made sense.

Stage One of a 10-year development programme was rapidly launched and finally commissioned by the Prime Minister. That waiting time is down to 10 weeks as the new $3 million unit slices into an order backlog that shows no signs of reaching '75 proportions.



Euroflax machine for Sockburn flexible packaging plant.

Abcal's mains cable factory and PVC compounding plant could now cope with 50 per cent more than the 1976 record output of mains cable, but indications are that purchasers aren't flocking to the door at Sockburn.

Indeed, Abcal has wisely decided to defer its stage two plans until the economy picks up, specially in the stagnant housing industry where latest statistics show only the slightest hiccup in demand.

Housing and subdivisions are not the only areas with evaporating demand; there isn't too much new wire being run across the high country, either, these days.

The Clutha hydro scheme could make a tangible difference to the half-Abcal-owned associate Aluminium Conductors Ltd — it could lead to another 3200km of cable being strung by the NZED.

Ironically, one big distant hope of another cable being laid across Cook Strait would invoke the greatest outcry from South Islanders who have become increasingly sensitive about power issues.

Every circuit has its bright inner thread, it seems, and in Abcal's case it is the general wiring products division for domestic appliances, radios and the car assembly industry which apparently imports less foreign wire in CKD packs than it did previously.

With phase two on ice as the resistance to further expansion prevails among directors, Abcal will not face further high levels of expenditure for some time and a more generous dividend policy has seen a 20 per cent dividend introduced to offset caution over immediate group prospects.

Phase two in the Muldoon-versus-southern-manufacturers became inevitable when another Christchurch group, Printing and Packaging Corporation, unveiled plans for the Prime Minister to open its new Whitcoulls flexible packaging division factory the other day.

The $700,000 plant is aimed at manufacturers who are developing their export trade, with the major item of equipment a $½ million printing press, imported from Italy.

Two six-colour presses are housed in the 3400 sq metre factory, which like Abcal's is in the Sockburn area.

Whitcoulls has operated a flexible packaging factory in Christchurch for more than a decade.

It wasn't the first venture into the "flexible packaging" area; in the Second World War there had been joint DSIR-military experiments into packaging of army rations.

Perhaps a far cry from today's range of packaging from frozen foods to continental quilts. A new plant was justified because of increased demand for specialised lines. Whitcoulls developed in-line laminates for its high precision process.

There are five flexible packaging operations in the Whitcoulls division with other factories at Papakura, Palmerston North, Dunedin and Invercargill.

Hard look at software to curb tax dodges

by Stephen Bell

THE Government and computer suppliers have launched into some hard examination of the tax position of that intangible commodity, "software" — computer programs recorded on magnetic disc or tape.

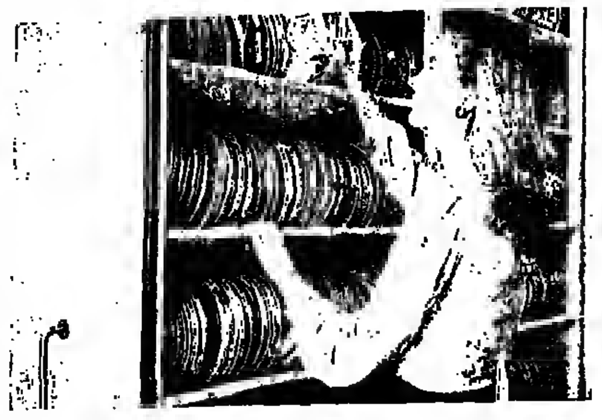
The Customs Department is "reviewing the whole situation" with a threat to crack down on companies which it sees as avoiding payment of legitimate sales tax on the programs.

At the same time, the Computer and Business Equipment Industry Federation is mounting its own study of alleged inconsistencies in sales tax enforcement.

Federation spokesman Terry Currie confirmed that most members of the federation importing or selling software pay sales tax only on the material value of the disc or tape on which the program is recorded.

But some companies are being taxed on the full market value of the program — naturally, a far greater amount.

The distinction, says Currie, appears to be applied "arbitrarily". The federation would prefer to regularise the situation and, clearly, to see its members paying as little tax as possible.



MAGNETIC TAPE . . . programmed or blank?

Its report, expected to be submitted next month will be accompanied by yet another effort to get the 40 per cent sales tax rate on computer hardware reduced.

This, too, is inequitable, says Currie. Tax on most industrial plant is being charged at 10 per cent.

Spokesman Graham Skinner at Customs head-office said the subject of sales tax on software was being reviewed, following inquiries from "a whole spectrum" of sources.

These apparently include some of the department's own port personnel, uncertain of how to enforce the tax.

Asked what the department's present policy was, Skinner, declined to comment. He referred our reporter to the Wellington branch office.

The representative here, Terry Beard, was quite unequivocal: "The (Sales Tax) Act says you charge [illegible] the fair market value".

Importing a taped program as though it were a blank [illegible] would necessitate a "false invoice" and would be unlawful, he said.

Imported software, he [illegible] was sufficiently [illegible] regulated.

His worries centred rather on the home-based industry. There were, he estimated, [illegible] number of firms producing software here without having obtained a licence as wholesaler or manufacturer, retailer.

This would require them [illegible] pay sales tax on the [illegible] articles — programs — [illegible] they were "manufacturing".

Any changes in this respect would affect not only the software business; it could possibly make a difference [illegible] hardware tax charges.

If a company were developing software and [illegible] importing hardware for [illegible] the requirement to be licensed as a wholesaler or retailer would change the basis [illegible] which tax was charged for [illegible] imported hardware, and possibly increase the tax [illegible] there as well.

Decontrol of domestic oil prices

Washington Correspondent

The phased decontrol [illegible] domestic crude oil prices [illegible] the key to President Carter's new energy proposals, which were aimed at reducing reliance on "unstable and uncertain" energy supplies.

The new energy programme seeks to expand domestic oil production.

At the same time, it should cut back American oil consumption by 5 per cent (about [illegible] million barrels a day) in accordance with an agreement reached by the United States and other members of the International Energy Agency in March.

Administration officials [illegible] this objective will be achieved through a series of mandatory and voluntary conservation measures.

In a major effort to spur domestic crude oil production the President is "picking the least inflationary way [illegible] terminate controls" before his term ends in 1981.

An additional saving of 740,000 barrels of oil per day [illegible] expected through removal of price controls.

The President is asking Congress to enact a "windfall" tax on excess profits that would flow to domestic producers of crude oil. A levy of 50 per cent would be assessed on that part of [illegible] company revenues [illegible] tributable to:

● Any future price increase by the organisation of petroleum-exporting countries (OPEC), or

● Increased prices received for lower and upper [illegible] domestic oil as a result of decontrol. (Lower-tier oil [illegible] from wells drilled prior to 1973; upper-tier oil includes [illegible] oil from wells drilled after 1973, except for the categories that are already free of controls.)

One official estimates that up to $18,000 million [illegible] revenues that would otherwise go to oil companies will flow instead to the Government over the next three years [illegible] finance a new Energy Security Fund.

Budget boffins look at perks as revenue source

by Rae Mazengarb

THE business executive's "perks"—including the company car—has come under Government scrutiny as the Government seeks revenue for reducing its embarrassingly high internal deficit.

An official from the office of the Minister in charge of the Inland Revenue Department, Hugh Templeton, commented that if anything was going to happen it would be announced in the Budget. But he was not sure if the Government would "go overboard" on the question.

Other department officers are remaining silent on the issue, except to comment that there are difficulties when it comes to putting a value on such items.

As budget time approaches, the Government is expected to face the largest ever internal deficit of $1545 million, according to the latest Quarterly Predictions of the NZ Institute of Economic Research.

And the question of taxing allowances and perks is among the considerations facing economic planners.

It has been suggested that the tax avoidance involved in this area could run as high as $400 million. As a revenue-generating move, catching just some types of allowances must look highly attractive to the Government.

Already Cabinet has been looking at the only known study on the subject—an inquiry carried out by the Inland Revenue Department in 1975. The report was never made public and the matter was quietly shelved.

The issue is a hot one. Not only is Inland Revenue losing out on extra income, but the question of equity is raised.

While present definitions remain, tax savings are being made by those who can probably afford to pay. Bringing non-monetary benefits into the taxation system would help lighten the load elsewhere.

Reappraising the whole area of non-cash allowances would include assessing the value of low-interest employment loans, free cars and television sets that come with the job and many other accepted "perks" which have edged their way into salary packages.

The fringe benefit issue has been raised lately in two contexts.

● Against the background of the energy crisis, Friends of the Earth called for the Government to stop companies giving employees cars as a salary "perk". Friends of the Earth argued not only that users of company cars remain unaffected by the oil crisis, but also that a car amounted to a tax-free perk of $3000 to $4000 a year while the company owning the vehicle could claim generous tax provisions.

● The row erupted over whether a travelling allowance paid to aircraft engineers should be taxed.

Previously, both Dr Don Brash, general manager of Broadbank Corporation Ltd, and L N Ross, chairman of the Ross Committee which reviewed taxation 12 years ago, were asking for reforms in the area of fringe benefits.

Speaking at an accountants' convention in Masterton in February, Brash urged a radical reduction of income tax and increasing indirect taxes in "a package of major changes" to include studies of fringe benefits.

He said there were many fringe benefits which could be taxed in both the public and private sectors.

"Most have to do with housing, such as subsidised loans that may be worth several thousand dollars a year. Others involve the use of private transport, personal expenses and subsidised superannuation schemes."

At the convention, Ross suggested that fringe benefits now amounted to a substantial figure involving between $300 million and $400 million in tax avoidance.

Asked about clamping down on allowances, Muldoon has said that most would be impossible to calculate in money terms.

But Cabinet had studied an Inland Revenue survey and report compiled in 1975, Muldoon said. He doubted that the system could be changed fairly, but he conceded there were some changes which could be effected.

At that stage he did not want to be more specific.

Dept's study findings

by Rae Mazengarb

THE company car is the most likely source of increased tax from fringe benefits, according to the findings of the study undertaken by the Inland Revenue Department in 1975.

In a letter to the then Minister of Finance, Bob Tizard, Tax Commissioner Hunt discussed the survey findings and departmental recommendations.

Most of Hunt's advice was devoted to the motor vehicle.

"This is the only area in which I think changes in the tax position should be considered by Government at the present time," he said.

But Hunt conceded that such action might bring more problems than it would solve.

He pointed out there were administrative problems. Some countries consequently had adopted arbitrary systems, or systems for senior executives only. Others had not grappled with the problem.

The 1975 survey aimed to obtain an indication of the extent to which fringe benefits were provided by employers and the likely effect on revenue if fringe benefits were made taxable.

The survey comprised a random sample of 25 per cent of companies with turnovers of more than $320,000 and 10 per cent of companies with turnovers between $80,000 and $320,000.

Other employers, such as farmers, government departments, and local and public authorities, and people operating businesses in partnership were not included.

The main benefits covered were:

● Employee use of motor vehicles;

● Free or low rental housing accommodation;

● Entertainment allowances;

● Gifts to employees;

● Interest free or low-interest loans;

● Club subscriptions;

● Miscellaneous items.

Items not surveyed were superannuation arrangements and sickness and distress funds provided by employers.

Advising the then Finance Minister, Bob Tizard, on survey findings, the Commissioner of Inland Revenue, T M Hunt, pointed out that while salary and wage earners could obtain fringe benefits, they could not deduct certain expenses from their incomes, but self-employed people could.

"It may be said, therefore, that to some extent at least fringe benefits are spread around the tax paying community," Hunt said.

In the housing area, the major incidence of under-taxation is in the provision of free or low cost accommodation. This applies more in the public sector than in the private sector.

Hunt told Tizard: "My personal view is that it would be the wrong time to require higher values to be adopted across the board. The main people who would be affected would be farm employees and public servants, mostly on modest incomes.

"The effect of increasing the taxation on accommodation would spark off claims for additional salary or wages to compensate" . . .

Though it was within the department's power under legislation of 1975 to make increases, Hunt did not propose to take such action "unless you have views to the contrary".

Items such as telephones, staff-buying privileges, free meals and so on were considered too small "to warrant action at this stage unless, of course, you propose to tax all fringe benefits".

Legislative changes were considered desirable to catch large gifts where they were substitutes for remuneration, but the position in 1975 did not require urgent measures.

"I would accordingly recommend that further consideration of this aspect be held over until next year," Hunt said.

On cars, he noted that circumstances ranged from full private use of a company vehicle to minimal private use such as taking home the vehicle because of lack of parking in the city.

Then there was the contra cost to the employee of garaging and cleaning the firm car at home.

Another aspect was the position of employees who had transport to and from work laid on, such as by bus, or free or concessional travel for people in the transport industry such as local bodies and railways.

Hunt said he wondered if car benefits had become an integral part of the employment scene and if so what the affects of their taxation would be on take-home pay.

Employees might press for wage or salary rises to restore themselves to previous positions, with possible inflationary implications.

Hunt commented on the possibility of criticism if this area were taxed while areas such as housing were left alone.

But he did note the question of fuel saving and transportation aspects generally.

If Government proposed to take action in addition to the aspects already outlined, Hunt said, there would be questions about the ability of the employer's payroll staff to cope with "yet another PAYE tax requirement. The department is also under pressure and this would add to its burdens".

Referring to the publication of the survey results, he suggested: "I think that survey results only (preferably expressed in percentages rather than figures) should be published. A table along these lines can easily be prepared."

Do-it-yourself licence issue: loopholes closing

ECONOMIC experts — both at home and from abroad — have urged the phasing out of import licensing as an integral part of an economic restructuring. The Government has made clear it will not heed this advice — whatever its idea of an economic restructuring, import licensing will remain.

But the discriminatory system of import licensing merits close scrutiny not only from the point of view of the protection it affords local manufacturers. Other means of import control could be implemented.

This newspaper has scrutinised a number of the less attractive features of import licensing — for example, how the granting of import licences can become a means of currying political favour.

Here John Draper puts the spotlight on two further aspects of import licensing:

First — it places a scarcity value on licensed goods and benefits the businessman blessed with the appropriate authorisation to import products to the detriment of consumer interests.

Second — a licence is the granting of a commercial privilege, and so the system invites administrative abuse or the suspicion of administration abuse. These administrative weaknesses are compounded by the fact the system is administered in secret.

by John Draper

LOOPHOLES allowing would-be importers to write their own licences are being closed by the Department of Trade and Industry.

Department officers insist the system no longer be easily short-circuited, either by the honest wanting a faster service or by the dishonest wanting to abuse it.

Probably the most glaring weakness—the issuing of pro forma applications by Trade and Industry—has been abolished. Instead the department says, importers who make a direct approach to officials are being sent back to local Customs collectors or special memos are being written to help speed up procedures.

Customs collectors are now equipped with up-to-date lists of Trade and Industry officers who are authorised to approve import licence applications. Previously, anyone with access to pro forma applications and a detailed knowledge of how the system worked could write their own licences.

Statistics suggest some were doing so. In the year to June 1978 licences approved by the department for fresh pineapple imports totalled $3.5 million. An extra $200,000 arrived in the same year.

Trade and Industry has been reviewing application procedures since a major restructuring in 1977. Abuses have been suspected but not proved for some time, prompting further refinements.

Officials deny that either the Ombudsman's investigation into the business affairs of former National MP Ray La Varis or the prosecution of a former department officer prompted any changes.

Importers seeking a licence normally apply in quadruplicate to their local Collector of Customs.

The forms on arrival are stamped with a serial number and recorded in a log book.

Three copies, including the original, are sent to Trade and Industry's head office in Wellington. The fourth is sent back to the importer to acknowledge his application.

In Wellington applications are received by an executive officer who passes them down to a section officer or passes them down the line again to a desk officer responsible for that group of commodities.

Desk officers, depending on experience, are limited by value to what they can approve. Since the 1977 reorganisation, officers ha[ve] been encouraged to gi[ve] reasons for their decision—[a] point that was fina[lly] reinforced following th[e] Ombudsman's report.

Once approved, [the] application passes back alo[ng] the chain. One copy is sent t[o] the budgetary section where [a] tally is kept on permits issued.

Another copy is sent to th[e] regional Trade and Industry office where applicable, or i[s] destroyed.

Regional offices wi[th] authority to hand[le] applications apply the sa[me] basic procedures.

The third copy is sent back to the Collector of Customs who should match it with li[s] records and issue the import licence.

In theory, even with expe[rt] knowledge, the system i[s] difficult to beat on a regula[r] basis without raising at lea[st] the suspicion of the Custo[ms] Collector.

But many importers ha[ve] been going direct to th[e] department. Trade a[nd] Industry officials indic[ate] both in volume and va[lue] terms, it's a small numbe[r].

In these cases a pro form[a] application is iss[ued] instructing the Collector o[f] Customs to issue a licence.

Customs have no record o[f] the application and u[ntil] recently no assurance th[e] pro forma had been signed [by] an authorised officer.

The system was wide op[en].

Anyone with a pad of p[ro] forma licences, knowing [the] correct way to fill them [and] where to put the appropri[ate] rubber stamps, could trig[ger] the system.

Officials admit it could [be] done as an isolated case, b[ut] reject suggestions that it c[ould] be done on a continuing ba[sis] without either the collusion of the Customs Collector o[r] someone in the department.

Individual pro form[a] applications arriving thro[ugh] the post would als[o] certainly raise suspicion, th[ey] say.

Runway hopes stymied again

THE Chatham Islands voodoo has struck again.

For more than 10 years [the] 800 Islanders have liste[ned] patiently to politicians talk[ing] about a sealed runway [to] replace the grass strip, wh[ich] is suitable only for Safe Air['s] lumbering and inadequate Bristol Freighters.

The end of the saga seem[ed] nigh. A site had been survey[ed] and, after much haggling, [the] Tuutu family trust — guid[ed] by Lindsay, the eldest s[on] — offered the land as a gift.

Even the most doubt[ful] Islanders were beginning [to] talk about the future, when [the] airstrip was completed. A[nd] Air New Zealand even c[ir]culated a provisional timetable, using Fokker Friendships for evening flights twice weekly from Chri[st]church.

A silver spade had be[en] made for Internal Affa[irs] Minister Highet to turn [the] first sod and present to [the] Islands' new museum whe[n he] opened it a few weeks ago.

But the voodoo struck th[is] Lindsay Tuutu suddenly d[ied] before the gift had be[en] legalised.

The Ministry of Works [has] cancelled plans to call [for] tenders from a selected li[st of] contractors for the third ti[me] in less than a year at sh[ort] notice.

Officials are hopeful [a] settlement with the Tu[utu] family can be reached bef[ore] winter ends to enable wo[rk to] begin early in the summer, projected a few months lat[er].

Import licensing system: a permit for local traders to prosper at the consumers' expense

by John Draper

TRADERS are making millions of dollars a year from mark-ups inflated by the import-licensing systems.

Huge margins are being added to restricted goods, turning a licence into a permit to prosper.

Licence-restricted imports commonly arrive on the New Zealand waterfront for little more than the cost anywhere else. But by the time they reach the consumer the price has frequently rocketed five-fold — and sometimes, according to informed sources, as much as 12-fold.

The fat is making importers lazy, reluctant to shop around for cheaper buys to benefit the balance of payments position and give consumers a better deal.

Automotive parts bought from traditional suppliers, for instance, cost up to four times what South-east Asian countries could directly supply them for. Ironically many of these countries are supplying New Zealand through traditional sources who are adding their own mark-up.

Imported toys, bicycles, wallpaper and clothing are the premium examples. Wallpaper arriving on the wharf for $4 a roll sells for between $20 and $80. Standard street bicycles can be imported for around $64. One retailer's cheapest overseas model sells for $295.

Plastic machine-guns from Hong Kong cost 52 cents. Parents here fork out $8 for the same toy.

Radio controlled cars will be the demand of many small boys this Christmas. Made in Singapore or Taiwan, the cars will cost importers $4.60 to $20. Dad may well be asked to pay out at least $64.

Margins on glazed ceramic tiles, also controlled by import licensing, are modest by comparison. Imported for less than $10 a square metre, they commonly retail for $50, a 500 per cent mark-up.

But other goods not manufactured locally and free of import licensing are competitively priced in line with prices paid overseas.

Tariffs and sales tax admittedly do add to the price but they also apply to the vast bulk of goods — 80 per cent — imported without a licence.

Pocket calculators, for instance, would cost an importer more to bring from Singapore than he would pay the manufacturer's agent in Auckland. In Singapore and Auckland they cost $11.95, to the consumer $24.95, a 100 per cent mark-up when sales tax is taken into consideration.

Clock and watch prices are also fiercely competitive, along with cameras and some hi-fi equipment at the cheaper end of the market.

The difference is competition.

Woolpacks, electric shavers and hair clippers, children's footwear, gloves and pewterware are all likely to drop in price now they have joined the exempt list of products.

Import licensing does have its merits as the Government never seems to tire of telling us despite the outcry for its removal. It does give local manufacturers a degree of protection against low-cost South-east Asian producers and thus protects jobs and can be an effective control on imports, when as now, there is a severe balance of payments problem.

But whether that is sufficient to let importers, wholesalers and retailers profit so excessively at the expense of the consumer is debatable.

There is another way of controlling imports. High tariffs can have the same effect, producing high prices to dampen down demand, with the virtue of adding to the common purse rather than the private pocket.

There are snags. Tariffs in themselves are no bar to dumping, though there are anti-dumping measures which New Zealand — because of the import licensing system—has not had to resort to in recent years.

Manufacturers also claim that no tariff can offset the advantage of low-cost centres such as Korea and Taiwan.

Trading concessions can also be gained, they argue, by bargaining with import quotas in return for market access.

Tariffs would tend to work only to Auckland's benefit as importers went for the biggest market to make the quickest gains, while import licensing at least ensures a nationwide distribution of scarce products.

But though the future of import licensing is assured, by the present Government at least, importers' big profits are not.

Until the recent lifting of price controls, importers could legally increase prices to maintain the margins established in 1974.

Trade and Industry is now awakening to the implications for merchants — and may soon be investigating.

New jobs for price policing bureaucrats?

ABOLISHING price control on a wide range of goods and services may cost 30 Trade and Industry investigators their jobs.

For the last four years the investigators have been the public watchdogs, bringing retailers and manufacturers to heel, if they breached price-control regulations.

In 1978 the department's annual report noted 4450 consumers complaints were investigated resulting in refunds totalling $52,897.

Warnings were issued to 812 traders for breaching the price code.

The Governments changes to the regulations has not made the investigators redundant overnight.

The six-month rule limiting price rises exists till October and category A goods remain subject to control.

The Price Stabilisation Division has been given new responsibility for ensuring that any rises are not exorbitant—whatever that might mean.

Department sources say it is too early to determine what the new work load will be. But discussions have already begun with the State Services Commission, which wants to enforce the Government's sinking lid policy on staff ceilings.

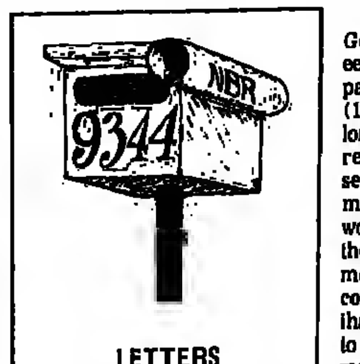
No one is likely to be made redundant. Those not needed to control prices will almost certainly be offered jobs elsewhere in the public service.

Exchange rates

As at April 19, 1979 $1NZ is worth:

Australia	.9472
Britain	.5052
Canada	1.1923
Fiji	.6688
Japan	223.54
West Germany	1.9607
USA	1.0446
Austria	14.47
Belgium	31.29
China	1.6595
Denmark	5.4891
France	4.5315
Greece	38.35
Hong Kong	5.2968
India	8.5365
Italy	876.43
Malaysia	2.3095
Netherlands	2.1377
New Caledonia & Tahiti	82.45
Norway	5.3369
Pakistan	10.23
Papua-New Guinea	ON APPLICATION
Portugal	50.90
Singapore	2.2884
South Africa	.8854
Spain	71.32
Sri Lanka	ON APPLICATION
Sweden	4.5565
Switzerland	1.7842
Western Samoa	.7524

Political sniping



LETTERS

IN NBR March 21, Colin James once more talks of the PM's "unlawful act" in dismantling the Labour superannuation scheme. I have long suspected that such comments on an act made after taking high legal advice are more in the nature of political sniping, intended to blacken character rather than to inculcate respect for the law.

Not being an economist, historian or political scientist, I naturally expect your contributors to do me the courtesy of giving relevant background information. Nowhere has there been mention of precedents for the Government's breaking the law without calling Parliament.

Recently I read a book dealing with English politics of the 1840s. Much of it was unintelligible, as I did not know what the Bank Act of 1844 said. I have since learnt that the Act deprived the directors of the bank of the discretionary power to issue notes in excess of a certain quantity. The Act was unworkable, and in the next 13 years the Government authorised the bank to break the law, without first obtaining the approval of Parliament.

In 1847 there was a commercial panic. The ministry authorised the Bank to issue notes beyond the limit prescribed by the Act, stating that if such a course should lead to any infringement of the law, they would be prepared to propose to Parliament, on its meeting, a Bill of Indemnity.

The same thing happened again in 1857, when the bank was authorised to issue notes to an unlimited extent on approved securities. That was quite against the law.

In chapter 19 of his Lord George Bentinck, Disraeli says: "The labour rate act passed at the end of the session (1846) was one by which the lord-lieutenant was enabled to require special barony sessions to meet in order to make presentments for public works for the employment of the people, the whole of the money requisite for their construction to be supplied by the imperial treasury, though to be afterwards repaid. The machinery of this act did not work satisfactorily, but the Government ultimately made the necessary alterations on their own responsibility, and obtained an indemnity from Parliament when it met in 1847."

There we have three instances of the law on financial matters broken in 10 years.

In chapter four of Democracy and Liberty, Lecky writes: "So completely has the sole competence (in financial bills) of the House of Commons been recognised, that it has become the custom to levy new duties and increased duties from the time they had been agreed to by the House of Commons, without waiting for the assent of the Lords and of the Crown, which alone could give them the force of law."

As the preface to the book is dated 1896, these words were almost certainly written before then. At least 80 years before the Prime Minister dismantled Labour's superannuation scheme, taxes were being levied in England before they were law.

On page 162 of Keir and Lawson's Cases in Constitutional Law we find this: "Once the House of Commons had, by the Parliament Act, 1911 (1 and 2 Geo 5, c 13), secured the full and exclusive control of taxation, there was no reason why taxation should not be levied at once under the authority of a resolution of the House. The Provisional Collection of Taxes Act was therefore passed in 1913, (3 Geo 5, c 3), allowing this in the case of customs, excise and income tax, but with the proviso (inter alia) that the tax should be invalid, unless authorised by Act of Parliament within four months after the resolution."

Our Government's action in dismantling the Labour super scheme may not come precisely under any of the above heads, but it is not far removed — if at all — in spirit from what has long been sanctioned. And if, when the PM presents this year's budget, he should grant any tax relief from a date far earlier than validating legislation can be passed, there is not one reader of this who would expect public servants to collect at the old rates on the ground that there was no law in force yet to sanction mitigation of those rates.

To be fruitful, any discussion of the wisdom or propriety of dismantling Labour's scheme should be confined to arithmetic, principle and precedent, and not diverted into insinuations of arrogant contempt of the law, by suppressing legitimate precedents.

C T Field
Papatoetoe

COLIN James' reference was to the statement by the Prime Minister on December 15, 1975, purportedly ending the scheme. Of that, the Chief Justice, Sir Richard Wild said (Fitzgerald v Muldoon and Others 1976 2 NZLR p615): "For the reasons given I must conclude that the Prime Minister's public announcement of December 15 was illegal as being in breach of section 1 of the Bill of Rights, and that the plaintiff is entitled to a declaration to that effect." — Editor.

Victoria Law Institute

A RECENT attack on the Law Institute of Victoria, Australia's professional indemnity scheme in your paper of March 14, 1979 was a deliberate misrepresentation of the position. The attack was originated by the vice-president of the Insurance Brokers Association, Australia, Mr Murray Morgan, and published in your paper March 14, 1979.

A number of factors were involved in the decision of the institute to introduce the scheme as part of a series of changes embodied in the Legal Profession Practice (Solicitors' Disciplinary Tribunal) Bill, which passed through the Australian Parliament in May last year. One of the reasons was the desire to extricate the profession from the previously unsatisfactory situation which prevailed in the professional indemnity insurance market for solicitors, where renewal of policies was uncertain and the cost unpredictable. A variety of covers was available, the majority on less than satisfactory terms, through a multiplicity of brokers.

A substantial proportion of the profession simply had no protection at all against claims for negligence on their part, a position where the public could be left lamenting. In New Zealand, it is estimated that 15 per cent of practitioners in public practice provide no protection.

The following benefits have been achieved by adopting the scheme: — A cover far broader in scope than any past cover available to individual members (or any other profession); the certainty of renewal for all firms, irrespective of their individual claims experience; no risk of avoidance of the policy or denial of indemnity for non-disclosure or breach of policy conditions (except where fraud is involved, and the provision for such claims is made through the Guarantee Fund); premiums which are virtually fixed for a three-year period; a consistently high level of expertise being available in the handling of claims; a situation where for the first time the profession will have just what its actual claims record has been for a given period; the ability to devise an appropriate educational programme, based on experience gained in handling the claims, to assist solicitors in avoiding the known problem areas, to the mutual benefit of themselves and their clients.

These benefits have been achieved by utilising the bargaining power of the whole portfolio of this business in negotiations with underwriters; interesting a number of insurers in the master policy, both locally and overseas, both of which make for a more secure market; taking advantage of the very considerable reduction in administration costs to underwriters as a result of the streamlining which is possible in such schemes. Better cover is thus available for every premium dollar paid by members; avoiding inherent dangers and heavy expense which would be involved in the alternative to a compulsory scheme, namely through supervision by the Institute of individual "approved insurances".

Although IBA members are unlikely to be familiar with developments overseas, we can categorically state that experience in the UK, Canada and the USA, as well as that to date under the scheme in both Victoria and Queensland, contradicts their mischievous assertion that solicitors have refrained from becoming involved in bringing an action against a fellow solicitor because of the possible effect on levels of premium for the coverage.

A very thorough canvassing of interested and capable insurers was undertaken by Minet Jumee Professional Services Limited with Australia, the UK and the Lloyd's Underwriters.

Those who had previously been involved in writing this class of business, but who were not participating in the existing schemes, declined to subscribe to the Master Policies on the following grounds: — The cover was, in their opinion, too broad and having omitted many of the traditional exclusions and conditions, provided them with little opportunity to deny liability to an insured; the premium levels were too low; they could not accept the situation where they would be obliged to provide protection to all solicitors in public practice, irrespective of their claims history, and where policies could not be cancelled mid-term.

We are unable to understand how IBA came to the conclusion that "all other insurers are precluded from competing for this business", or how the scheme can be "so blatantly against the interest of the public and so contrary to the ideal of free enterprise".

It is not possible, for an individual solicitor to obtain, using the traditional arrangements, anything like as broad a cover as that provided by the scheme, either in the short or long term.

We will continue to work towards providing similar schemes for interested groups in any of the professional areas.

I.A.T...
Managing Director
Minet New Zealand

Radio Windy blows hot


ADMARK

RADIO Windy divulged its audience goals to Admark (NBR, March 21). "Our target is the 15-34 age group with emphasis on 20-34," said general manager Rob McKay at the time.

"We plan to be No 1 in audience share of the target group . . . and for the meantime, we will be content to take No 2 overall."

With the accuracy of a heat-seeking rocket missile, Windy was right on target, a just-published McNair survey discloses.

In successive demographic groups it showed these shares: 10-14 years, 48 per cent; 15-19 years, 56 per cent; 20-24 years, 50 per cent; 25-34 years, 39 per cent.

In the overall 10-34 age group Windy scored 48 per cent compared with ZB's 23 and ZM's 22 per cent. And the all persons 10 plus figures show as ZB, 33 per cent; Windy, 30 per cent; YA, 19 per cent; and ZM, 14 per cent; a comfortable No 2 for Windy overall.

March was an active promotional month for the station. It drew 23,000 to the Windy Hot Rod show, ran an LE Mini giveaway, cash and album contests, all at a pretty fevered pace.

"The McNair result represents a personal triumph for the young broadcast team on the station," Rob McKay told Admark.

"We have got where we wanted to in the short space of three months. When you find that well organized radio can deliver the audiences to the satisfaction of advertisers and be financially viable, perhaps it is time that the people of New Zealand should be questioning whether the Government's place is in commercial radio."

Windy's new rates, promulgated only on April 2, when matched with the new share figures provide attractive buying. This is evidenced by the fact that the 6a.m.-10a.m. zone is frequently a sell-out.

Best is a four-letter word

UNDER the heading "Big doesn't spell best," we published in our March 14 issue a precis of the Ogilvy & Mather media bulletin called "Television One or South Pacific Television? Audience share isn't everything."

In running it, we thought we would recognise the media fact that, in one way or another, the watershed of television audiences had at last been reached and little brother TV2 had now to be measured for audience precipitation in the same terms as its sibling TV1.

As well, the content was provocative and hence not out of place in NBR where we invite more fights than we duck. And there are few words more challenging than "best."

Now we find ourselves in the position of the referee in a pro wrestling match who — as you well know from TV — is always looking in the wrong direction when the stoush is flying.

The O & M case brought forth a reply from Newson Lodge's Roger Bilson which strongly disagreed with the conclusions. (published in our April 4 issue).

Now Admark's mail brings a reply from the heavyweight champion and current beltholder, TV1. It's entitled "Commercial Bulletin No 72." — "Comment on the Ogilvy and Mather Media Bulletin and National Business Review Articles of March 14, 1979." Which, even if it's not the best-selling title of 1979, at least has the right names in it. It's under cover of a letter from the Controller of Sales and Marketing, Richard L'Estrange, and runs to 16 pages.

Our first reaction was to reach for a phone and call our solicitors to prepare a defence. But, when we started to read the document, we realised that we were not the target group, but back in the demilitarised zone where only statistics were being fired and fielded, where preferred placements vied with fixed programmes and TARPS provided little shelter from the showers of criticism. We were so pleased not to be included in this arithmetical altercation.

So, before we hang up the sign "This correspondence is now closed," we want to make two or three points.

In the kind of controversy that statisticians and researchers love, Richard L'Estrange and TV1 provide solid argument, facts and figures and make some telling attacks on the O & M paper, with TV2 figuring as the inevitable victim. We cannot refrain from reprinting the last paragraph which, with the Olympian detachment appropriate to an academic problem, proclaims: "We would not wish to predict that the cash conscious advertiser, as they all are, may not in the future find bargains in some of TV2's less popular programmes. For the moment, based on rate card and without indulging in some questionable contortions or fancy twists to media analysis TV1's rotate performs more than satisfactorily against a TV2 bargain."

That kind of wordy battle can never be resolved on this page.

The second reason why we can't-won't continue the debate is that the subject is too highly technical for the majority of our readers and the subject-matter too long to break down to abecedarian terms, even if we were capable of doing so.

And the third and extremely valid reason is that L'Estrange's paper has already been disseminated among advertising agencies. However, thanks, all of you, for an enlivening discussion. Sorry you can't agree.

Pan Am gives boost

AMERICA'S oldest ad agency, the 109-year-old N W Ayer ABH has kept a low profile and confined the bulk of its activities to the continental USA. That was the case until it won the $32 million Pan Am account last September.

Since September, Ayer increased its overseas affiliates from eight companies to 41 to give Pan Am the unified global image it wanted.

Ayer's top management team stopped in at Auckland the other day to visit MacHarman Associates, their New Zealand affiliate.

Ayer's chairman and chief executive officer, Louis Hagopian said his company did not own any overseas affiliates outright. Their average equity in their affiliated agencies was about 25 per cent, he said.

"If a local agency is any good, why would they want to sell out"? Hagopian asked. What Ayer wanted, he said, was a blocking minority interest — not control but the power to say no.

MacHarman managing director Bob Harvey said he was not yet ready to sell off part of the agency. MacHarmans and Ayer were still getting to know each other, he said. The association with Ayer gave MacHarmans international muscle, and in particular, access to expertise in financial advertising — an area Harvey said he was interested in developing.

Business at Ayer has been booming. With more than $300 million in billings in the USA and more than $420 million in billings worldwide, Ayers has moved up to number 14 in the worldwide agency billing stakes.

Just before winning the Pan Am account, Ayer got the $20 million 7up soft drink account from J Walter Thompson. A week later Ayers won reappointment to the United States Army's $50 million recruiting campaign.

Ayers sum up their creative philosophy as "human contact". Even the arch-multinational IT & T received the warm personal touch from Ayer's creative team with the line: "reach out and touch someone", to sell the world's largest company's long distance phone service.

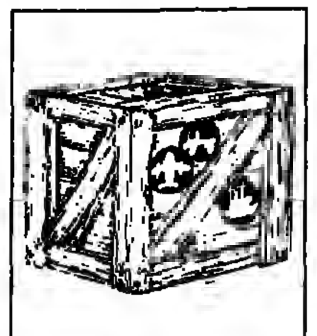
De Beer's diamonds are sold as the loving gift that lasts forever. Army commercials, feature people who have enlisted. Dr School's foot care is sold with an exaggerated reaction to foot odour.

Ayer was selected by Advertising Age to share its agency of the year award with Young and Rubicam last month. The award is based on effective creative output.

Ayer has a long list of big accounts; some of them United States companies trading in New Zealand. It remains to be seen how many of these accounts will go to MacHarmans as spoils of their new association.

Regulation: it's there at customers' request

by Bob Stott



TRANSPORT

THE Road Transport Association surprlaingly does not diacount the possibility of the Government's deregulating road transport.

That possibility seema so remote aa to be not worth worrying about, but road tranaport people say there are quite atrong forces at work to free road transport from reatrictions.

The 1978 Budget, emong other things, promised to review the transport licensing aystem aod to decide the eext stage of extending competition between road and rail. Thesa matters are now being inveatigated.

The case for deregulating raad transport in whole or in part is well-known, and people within New Zealond who ergue that deregulation would be a good thing usa tha aame sorts of argumonta that the Carter administration is using in the United Statea to support the daciaion to deregulate elr transport both within and to and from that country.

The theory is that free competition brings prices down and promotes efficiency — only the efficient survive and the result is s better deal for the usar.

A regulated industry, on the other hand, prevents price competition and protects the inafficlant insofar as newcomers can't bresk in and win a share of traffic by offering a better service and lower rates.

In New Zealand aome groups of transport users are strongly in favour of deregulation — farmera must be the prime sxample.

There sra, loo, some theoreticians both within tha National Party and in the buresucracy who bold similar bellafs.

The transport industry is apprehensive thal these interests could win the day.

It is not too esay to make a csae against deregulstion. Most people still bellave that free enterprise is generally more efficient than state enterprise or haavy stste regulation, and many still believe that no matter whal sctivity is undar discussion there must always be a better wsy. I shsre these beliefs — but I am not convinced they ahould be applied at this time to tranaport in New Zealand.

Some of the people favouring deregulation for transporl aren't free from regulation themselves, and sea no reason to change.

Farmars may appear to be free enterprlsers, but the time they spend talking free enterprise seams in inverse proportion to the time they spend practising ll. Any industry which is governed by Dalry Boards and Wool Boards, Meat Board, Wheat Boards, Apple and Pear, and EggBoards — all of which look very like cartels to me — can hardly claim il practises frea enterprlaa.

The boards fix prices and ganersily make sure that farming as a whole prospers. Argumenta about gate sales of fruit make the point — these bosrds axist because tha majority want them. They would not exist if the majority wanted to go their own wsy.

I suspect, too, thet some manufacturera who press for deregulatton in transport would not want deregulstion in their own field. They appear content to live with industry licensing in some caaes, to work within s framework of reatrictive practices and to ahelter behind import controls.

But these people don't seem to consider what's happened in the past; nor do they think things through.

Transport regulallon did not just happen. Regulation of transport was introduced world-wide, mainly in response to protestations from transport users, rather than providers.

BOB MARTIN . . . forces active to deregulate.

Historically speaking, regulation might not have been the best, but it was seen to be better than open competition.

Some examples:

● Shipping conferences are regarded in New Zealand as being "bad", but the conference system evolved largely at the instigation of users. The problem was that with competing lines, making money was far more important than providing regular sailings. Shipowners fought over cargoes and cut costs to a minimum (which increased the risk of accidents), while the stronger among them ran smaller lines out of business.

Users in the end set out what they wanted — regular reliable sailings at a reasonable price. To achieve that, users said they would forgo the chance to play off one line against another to get a cut rate for a single voyage. The users pointed out they could not develop export trades or importing businesses unless they knew they could rely on the lines to run to some sort of timetable at a published rate.

● After World War I urban transport became fiercely competitive in Britain, and to a lesser extent in New Zealand. Tramway companies and established bus companies were attacked by "pirate" companies, creating the spectacle of buses racing neck and neck to reach the next bus stop first. Users didn't want this — rather than a bus race every 20 minutes they preferred a single bus every 10 minutes, on time, at a reasonable price. The outcome was licensing.

● There's been enough written about the Auckland tow-truck experience to make it unnecessary to spell out here how the citizens of the Queen City have had about enough of free enterprise in this sector.

There are plenty of other examples, all showing that the user prefers reliability and regularity at a set price, rather than competing services.

The alternatives are either a situation verging on a shambles, or else the inevitable outcome of open competition — monopoly.

New Zealand does not have legislation similar to the American anti-trust laws to prevent one company or group from dominating a market.

When Dairy Board manager Bernie Knowles in a paper to the Chartered Institute of Transport last year listed a number of qualities he thought were important in transport, cheapness was not at the top of the list. He spoke of a need for services which were convenient to use and which were reliable, which were compatible and cheap.

"If I had one choice of important factors it would be that of certainty," he said.

That's one big transport user saying that certainty — reliability — is the most important quality in transport.

Knowles did have something to say about costs — the main point he made was not that transport is too expensive but that the user so often seemed to get a mixture of champagne and beer, "half way between the cost of a Rolls Royce service and a Ford service and having the attributes of neither".

Competition does not work to best effect in service industries, at least in the context of transport in New Zealand today. This country has limited resources and it seems to me that those resources should be directed at producing good quality at cheap prices.

Fighting over who's going to cart our products to market seems less important than actually producing the goods.

Transport is the most perishable product of all.

With competition, by definition, some transport services must be less than fully utilised — a competing service cannot exist unless it has spare capacity available for goods which are going to an opposition transport service.

If a truck leaves a depot half-full the empty space on the deck, representing potential tonne-kilometres, is lost forever as the vehicle drives off.

Competition in manufacturing doesn't produce the same sort of waste as if there is a temporary overproduction goods can be stockpiled. But you cannot stockpile tonne-kilometres.

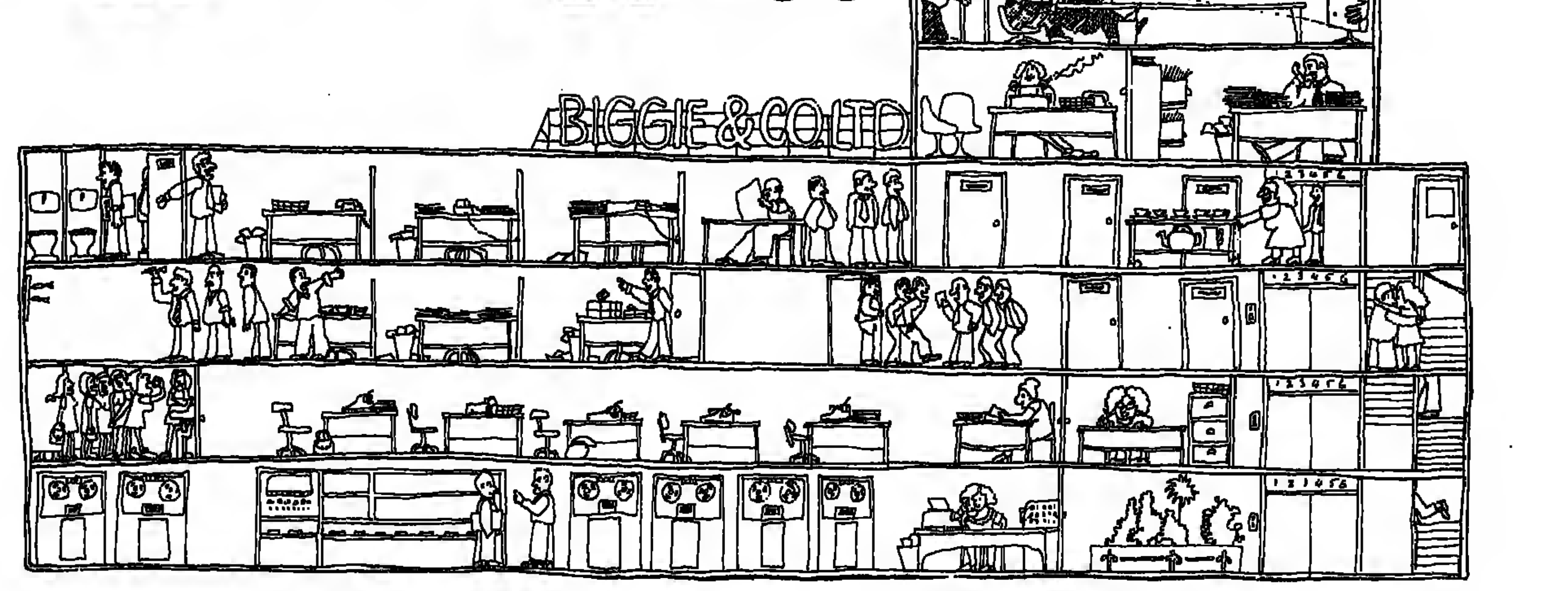
I do not suggest there should be no competition in transport, but the industry can be regulated so that there is no excessive waste and yet enough competition to encourage effort.

If road transport firms had to compete for, say, 10 per cent of their trade, the efficient ones might achieve good profits, the less efficient ones not much better than breakeven, while the worst go to the wall.

If road transport is deregulated there will be excessive investment in the industry to carry out the same amount of work. There will be rate cutting and a deterioration in the reliability of road transport, there will be bankruptcies, and take-overs and the end result will be monopolistic companies which must be closely regulated in the public interest.

There is no guarantee that in the long term such companies will give any better service than the present set-up offers.

Modern Office



Management looks down its nose at open plan

by Peter Iseec

OPEN PLAN began in West Germany and todey the concept is still known throughout the Continent aa Burolandschaft. But it has never raally caught on in its purest form in English-speaking countries.

Esaentially, Burolandschaft means that everyone from the chairman or managing director to the maasenger boya must share open plan. And it is for this renson that open plan has never really caught on in lhe stratified Engliah-speaking nations.

This goes especially for New Zealand.

In New Zealand the mosl frequant derivative is partial open plsn. Under psrtial open plan third layer management downward work together in open style psrlitioned off from one anolher by demounteble screens.

Tho problem ell along has been to gel top management to relinquish their offices and muck-in with the rest of the staff. Opae plan deaigners will now admit that they have fallod to convince top management of the virtues of lhe egalitarion approach so vilal to open plen.

There la a second reason why open plon hes failed in its true concapt in Now Zealand, and this is the difficulty thot clients have in leaving lhe original designs alone.

Thera is an irraslatible desire to keep sltering the basic plan. Bot, to a very larga axtent Naw Zealand designers have got around this problem.

Commanla Gary Couchman, e leading designer and head of Ark Associstea: "People like to identify the apace that they work in."

Couchman and others have tanded to get around this ona by tha additioe of e peg board ganaral usa area upon which occupants can express their personality. So the peg board araa ramaias one patch wbare tha occupanta can express their own personal tastes and desires and sense of humour.

Thus, they can affix on to tha peg board littla parsonel flashes such es "Genius et Work", and other stickers.

Couchman, however admits that the problem of persuading managemant to share tha open plan has not baan so successful.

"It's e queetion of people's attituda to their jobs. People work hard toward getting their own offica — end thee suddanly they ara told thay have to go back to whet thay consider es tha generel offica."

Couohman also cites a practical reason for tha problams ancouetered in getting open plan off the ground. "You cannot get away from tha fsot that most New Zealand offioes ara designed for partitioning.

"It is hard to get away from the fealing that there should be ranks of partitioned offices," he says.

Probably the best example of open plan in Naw Zealand is at Todd Park, headquartera of Todd Motors at Porirua. Here, the long, low, adminlatration building wss designed for open plan.

At the same time the open plan takes in mosl managerial layers, though John Todd himself hes his own office acrosa from the football pitch-sized open plnn arca.

Anolher factor militeting againsl open plan is, not surprisingly, the need for privecy.

This requirement seema to hava killed il for widespread use in banking. The reason here is self explanstory, of course.

A feirly intense discussion over e client's finenciel problema could be heard by all and aundry — and the client's problems could then become worae alll.

Couchman, recommends thet even the moat perfectly-execoled opsn plan requires private, aound-proofed interview rooma, where a person can ba employed, or sacked in peaca.

In favour of open plan ia the enormous aavings in space requirements and parlition costa. Another much lesser known reason is efficiency.

Tho New Zealand craving to eatablish adminlstretive empires is well-known. But this relatively non-productive objective hecomes harder to achieve if one's empire is bounded by demountable partitions.

At tha eame time open plan is an ald to communicetion between people in differant roles.

Another New Zealand management problem is the stand-off spproach that can often devalop between production and marketing for example. Clearly, this is going to be much hardar to develop if they are all working within the seme open plan.

It ie this breaking down of ancient rivalrlea that has been one of the prtme causes for installing open plan in Great Britain.

The biggest integrated open plan in Britnin is al lhe old eslablished Vickers engineering company at Barrow in Furness in the North of Englond. It was introduced specificelly to create greoter steff cohesion.

Open plan design marketing componies stress the importance of ndopting a whole package approach. Thus, you should not buy the *chairs from one company, the* partitions from another, and desks from yet another to complete your own open plan jig aaw.

The package furnishing design companies stress the importance of going to a single source for the entire dealgn. For example, Zip Interiors has the agency in New Zealand for the Hille System of open plan dealgn — ona of lhe most popular in Europe.

Escalating office rental costs send companies scurrying out after space-saving equipment

by Cathy Strong

NEW office equipment coming onto the merket reflects the ever-increasing cost of offica space, and the ever-Incressing use of computers.

Sinking piles of money into computer systema is only the beginning of the shopping list for companies updating their offices. The machines need a place to sit, operators need a place to work efficiantly, and printout (whether paper, tape or fiche) must ba stored someplace for both temporary and long term uae.

British Office Supplies Ltd ia coming out with a series of modular computer desks that claim to ssve 20 to 30 per cent floor spaca over conventional desks. Precision Engineering offers a line of cabinets advertised to giva three times more drawer spaca thsn a standard file cabinet taking up the same floor area.

Space-ssvlog equipment has been big business overseas for several yesrs; however, it has just recently become a need here as New Zealand businessmen add up the prica of office space.

Major equipment companies admit problems in keeping up with the needs of computerised offices. John Cooper of British Supply said that importers were bringiog in tables and desks with the computers — Britlah Supply could have made the same thing for half the price. His company accapta blame for not working harder to find out what computer ancillary equipment wss needed.

But Sid Richmond of Precision Engineering says it isn't that eaay to keep up. Hla company tried every sneaky scheme to find out what kind of new computar equipment was coming into the country, but found that companies were very tight-lipped about their new equipment. So Precision couldn't even start designing ancillary equipment until the computers got into common use.

Now both firma feel they are sble to meet the demands of the modern business office.

For inatanca, a Wellington business asked Britlah Supply to daviaa a desk for word procesaing equipment . . . and thay demanded that selecting the magnetic cards ahould be easy and fast.

British Supply cama up with a $550 desk that not only conveniently holds the typewriter and mini computer, but an accompanying open file box is designed so that the operator needs only seconds to select the appropriate magnetic card from tha 600 card wallets.

It has been so succeseful thst they are now exporting the desk units to Auatralia, said Cooper.

By June they will be marketing a similar file to hold 250 microfiche cards . . . and sgain, it ia meant for split-second aelection.

The company is now designing a series of desks to house VDU computer stations —to cost between $96 and $230. They are of modular design, built up in components to fit the exact need of the office.

In a line of desks coming out in June, Cooper aays offices can save up to 30 per cent in floor space by combining computer operation tables.

Four conventionally placed desks take up 11 squsre metrea. Four of the compsny'a new modular desks take up 7.5 square metres. And when the proximity allows clerks to share telephones and calculators, the offices save money hand over flat, Cooper said.

Precision Engineering ia selling four, six and eight-drswer cabinets that atore 5000 microfiche carda or 75 microfilm cassettes per drawer. The eight-drawer model takes up the same floor space as a standard four-drawer file cabinet, and costs $437.

Since August, Precision hss been selling a 15-drawer csbinet for filing computer printout paper in flat position. It is obout 20 per cent larger than the standard 15-drawer stationery cabinet, and costa $241.

Precision is proudest of their "tilt-a-file", and two other compact filing cabinets which are expected on the market this month.

The $270 tilt-a-file is meant to replace standard file cabinets in small offices. It provides almost a square metre of drawer space while taking up lass than a third of a square metre of offica space. Compare that to a conventional four-drawer fila that provides .6 square matres of filing apace in the same office spacc.

A $171 open shelf vertical csbinet provides 1.7 square metres of filing space while taking up .7 square metres and a closed door model ($280) offers similar space savings.

All three units rely on a series of $1.50 cardboard boxes that efficiently hold-store-divide whatever papers need filing. Each "compsctum" box is about 75 millimetres wide, enough to contain a couple of reams of paper. And the open shelf cabinet, aa an example, holds 72 of the boxes.

It sound simple, looks simple, but does what it is supposed to do — store lota of paper in a amall area with easy access.

Precision still aells tha conventional file cabineta, in fact they are selling fastar than ever. Richmond aays that the convantional ones will never be completely replaced, and Precision has added s new dimenaion by offering file cabinets in a choice of five modern colours.

Cold pressure machine for copious copying

A NEW type of plsin paper copier using cold pressure insteed of the traditionsl hest system will be availsble in New Zealand soon.

The CPF Satellite's cold pressure fusion systam mskcs it different from existing copying mschines. And because it works on pressure rather than hest it csn be switched on immediately before use. Many of the heat system copiers need to be turned oo for varyiog lengths of time to warm up.

Thus it is claimed the CPF Satellite uses 60 per cent lesa power than its nearest rival.

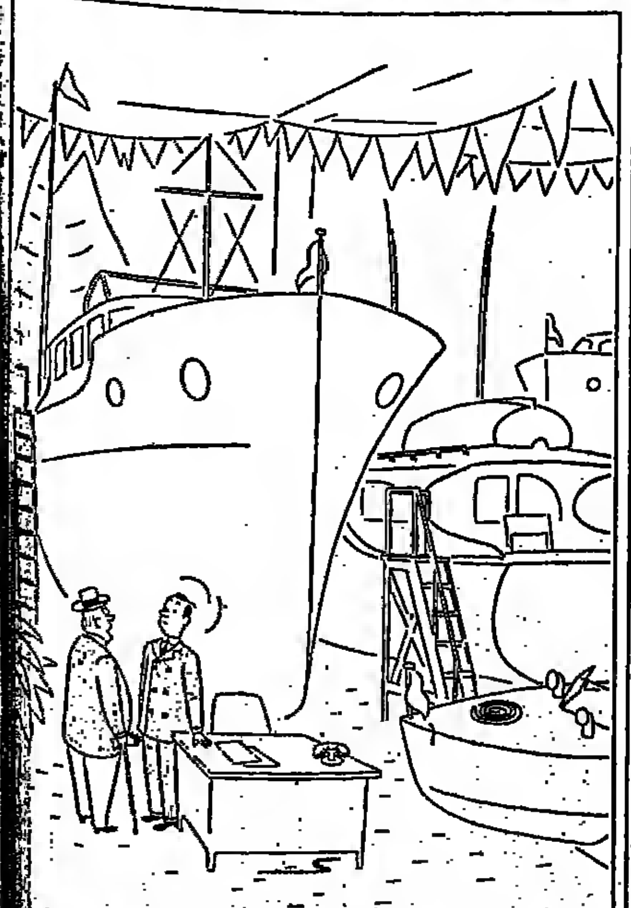
It is aleo claimed to be chesper thsn moet othar copiers and the cheapest of all to ruo. It will sall in New Zealeod for less than $4000.

The CPF Setellita has been developed over a period of four years by a Swiss company, CPF International. It ia to be released world-wide directly from the 1979 Hanover Fair and is expected to reoch the New Zealand market by lstc May or carly June.

Clive Colcheater, New Zeolond morketing manager for the copier, claims it will be the fastest one-off copier availoble here.

The CPF can turn out 20 copies per minute. Other features include — multiple dailling; it con copy on to a lsrge variety of paper which only trsvels a total of four inches inside the copier; its compactness.

One of Cocheater's colleagues comparea it with onothor late model copier thus: "We hava a client doing 1000 copiea per month. He has hia copier turned on for 10 hours per day, 20 daya a month to do the job. It ia taking him about 200 houra to get the 1000 copiea that tha CPF Satellite could give him in 45 minutea."



"I'm looking for a gift to give the government"

The wizardry of WP — but companies find a missionary zeal is needed to spread the word

WANG ..... backing shared logic against rivals' stand-alone plans.

IBM System/6 with ink-jet printer is another punt for success.

OLIVETTI'S TES 401 ..... disguising the word processor as a typewriter.

IBM...first in the field with the magnetic card typewriter, but now lagging.

by Stephen Bell

CONFIDENT predictions of a word processing "revolution" seem to have been confounded, in the New Zealand market.

Despite the loud trumpeting of the obvious advantages of word processing in almost every office equipment feature one reads, the machines, in practice, are still selling very slowly.

Suppliers identify two major causes for the comparative lack of success —

● The price level of the machines, and

● The fact that they do not fit into a comfortable market niche.

The prospective user finds some difficulty identifying the word processor with predefined categories of office equipment in his mind. Is it a small computer, or a super typewriter?

Most customers mentally place the word processor, particularly the single operator machine, firmly in the typewriter category. With lowest prices still in the $15,000-$20,000 bracket, a word processor still looks ridiculously expensive compared with an electric typewriter.

Despite the publicity given to the obvious advantages of word processing over conventional document production, suppliers say the public is still substantially ignorant of the capabilities of the word processor. Selling the machine therefore is almost always a question of sitting the prospective customer down to a demonstration.

Practical experience of the machine does much to overcome initial resistance from people who think of it as an expensive typewriter, but it still makes WP selling "much more of a missionary exercise" than the selling of other office equipment, said one major supplier.

The customer who comes to the WP company saying "I've read about these things and I want one," is still very much the exception.

Suppliers are making continued efforts to improve the "front end" education process, but too often the customer representative who has become convinced of benefits by a demonstration reports back to a superior who has not had the first-hand experience, remains sceptical and declines to place an order.

In the last analysis, therefore, the acceptance of the word processor will depend on a more general diffusion of awareness of WP capabilities to the decision-makers responsible for acquiring office equipment. This will necessarily be a gradual process, influenced by informal inter-company contacts between existing and potential users of WP.

With a growth — albeit a slow growth — of the installed base of WP equipment, and with an increasing number of suppliers attacking the New Zealand market, there are signs that the word is beginning to get around through such informal channels and that WP may, in the near future, get over the bump of initial resistance.

Price reductions, of course, will help overcome customer resistance, and it is significant that the major suppliers have smaller, cheaper models either recently released or in the pipeline.

The Wordplex range, marketed by Sigma Data, has been augmented by the Wordplex-2, with "mini" floppy disc storage. This, misleadingly named, is considerably cheaper than the previous simplest model, the Wordplex-1, and suitable for entry-level applications.

Wordplex-2 was released worldwide at the end of last year, and the first New Zealand orders are now emerging.

CPT has a Model 6000 ... stocks, a "downgraded" version of its 8000, with a smaller screen and a single disc drive.

According to John Cristie, spokesman for New Zealand agent Computer Consultants, the CPT 6000 is directed primarily at the existing ... user who wishes to expand ... WP resources. But it ... prove attractive as an entry level model, he admitted.

Models such as these ... brought the cost of a min... word processing configuration down from $20,000 to ... the $16,000 to $17,000 mark.

Wang claims to have be... this tongue for rather ... with its System 5, with ... dual diskette storage ... printer at around $18,...

Pushing the pricing ... a big way is Olivetti's ... 401, sold here by Arms... Springhall, at a price of ... after tax. But this is ... different machine, using ... character LED display ... than the full-page screen ... appearance shows clearly ... it was developed by ... typewriter manufacturer rather than a computer company.

Its promotion very ... takes the line, "this will ... no difference to your typ... working environment."

Continuing to market at the high end of the pricing ... IBM. Having, in a ... pioneered the WP field with ... magnetic card typewriter ... entered the display-based word processing market ... the Office System/6, ... sophisticated model ... as the basis of an "automated office" system.

The view from rivals ... IBM has missed its mark in word processing proper, producing a machine too highly priced for its capabilities. While admitting to one another's competitiveness, Wang, CCL and Sigma Data, significantly maintain that they rarely find themselves up against IBM.

The range of equipment now available, from the table-top TES 401 to full-blown "automated office" machines like the System/6 and the larger Wang configurations, emphasises the differences in what WP suppliers see as their potential market. The suppliers, too, must ask themselves the question: "Are we selling a super typewriter or a small computer, with potential for interfacing to other office equipment such as copiers, and to the DP function?"

The Olivetti strategy of "disguising" the machine as a typewriter helps overcome the resistance by potential users who hesitate to accept the "computer technology" evident in the appearance of full-page displays.

Other suppliers, naturally, maintain that resistance on these grounds is diminishing. CPT and Sigma, though, acknowledge that a good deal of the market still lies with the solo operator of a stand-alone machine, rather than with the "shared logic" configuration — several "workstations" communicating with a single central processor and storage, and perhaps a single printer.

The stand-alone configuration is clearly less disruptive to the typist's normal working environment, in that she has full control of the machine's operations. But Wang still points to the expense saved by shared facilities, and contends that it sells very few single-station systems, even in New Zealand, where business operations tend to be comparatively small.

The debate between stand-alone and shared logic advocates will clearly continue for some time to come. In the meantime, though, all areas of the New Zealand market are still in the doldrums.

The contrast with Australia where word processing has really taken off, is striking.

Adrian Wells, of Wang, sums up the suppliers' fears: "If (the WP market) doesn't take off this year, the technology will pass us by."

Teleconferencing: the potential is there for negative results

TECHNOLOGICAL developments in the communicatlons industry are revoiutionising the modern office.

In a country like New Zealand where travel is becoming increasingly expensive and the market penetration of telephones, television and computers is particularly high, radical changes in communications can be achieved relatively easily.

The world leaders in this communications revolution are the Americans where much of the hardware and software technology is well advanced. For a glimpse of what is to come we reproduce in the following pages an article from the United States on electronic meetings.

by Robert Johansen, Jacques Vallee, and Kathleen Spangler

THE marketing of teleconferencing has begun. Polished ads are telling teleconference users that the "system is the solution". Newsletters and magazines carry success stories by enthusiastic users of electronic media. There are eloquent claims of improved productivity, decreased communication costs and more effective decision-making.

Teleconferencing media do indeed offer real opportunities to improve communication by reducing the barriers of space and time. However, a closer look at the teleconferencing technology reveals the potential for negative as well as positive effects.

Today there are three basic electronic alternatives to meeting in person. Video teleconferencing uses a television-like image, as well as sound; computer teleconferencing is print-based communication through keyboard terminals; and audio teleconferencing relies only on the spoken word, with occasional extra capacity for telecopying or telewriting.

Video teleconferencing: The video teleconferencing system at Westinghouse Electric Company is one of a handful of corporate video systems already in operation. Connecting two major offices of the company in Baltimore, Maryland, and Lima, Ohio, the system was designed to eliminate some of the travel that necessarily occurs between the two offices. The video signal is sent over the Communications Technology Satellite as part of the corporation's exploration of video teleconferencing and its potential applications. Westinghouse uses a video projection system which presents life-size images of remote participants.

Many video systems link more than two conference rooms. But, for most of these systems, only two sites can be connected at any one time.

A system operated by the Metropolitan Regional Council (MRC) in New York City is an exception. Headquartered in the World Trade Center in Manhattan, this system has nine studios in county seats surrounding the city.

All are equipped with television cameras which require an on-site operator and all sites can be connected simultaneously.

The video systems of Westinghouse and New York's Regional Council are for private use, but public visual conferencing services now are available in Australia, Canada, Great Britain, Japan, and the United States through each country's communications carrier; users come to centrally located public conference rooms connecting major cities.

The low usage of these systems has been an embarrassment to system promoters and a puzzlement to evaluators.

A variety of explanations have been offered: For example, some people say that low usage can often be traced to the awkwardness or impossibility of connecting more than two video teleconference rooms simultaneously. This communication is often limited to two locations, while many groups have members at several sites.

Another explanation is that video requires new communications skills that have not yet been developed.

Others raise more basic questions about the utility of video: they suggest that video teleconferencing, as currently conceived, may be nothing more than conspicuous consumption.

The costs associated with the transmission requirements for video are formidable. The figures are difficult to estimate, but at current rates in the United States, video teleconferencing is at least five times as expensive as audio teleconferencing over comparable distances.

The video teleconferencing system between Sydney and Melbourne has a full cost of about $400 an hour of usage. A comparable figure is estimated for the Japanese NTT system, connecting Tokyo with Osaka.

The Picturephone Meeting Service is available at experimental rates of $6.50 a minute from San Francisco to New York or Washington, $4.50 from Chicago to New York, $3.50 from Chicago to Washington, and $2.50 from New York to Washington.

Even these rates, which are high enough to inhibit many potential users, do not cover the full costs of the service. Nevertheless, video conferencing rates are still likely to compare favourably with travel costs.

Video conferencing is often sold as a carbon copy of the face-to-face meeting. But even clever system design cannot eliminate basic differences between an electronic meeting and meeting in person.

Many people, for instance, still feel uncomfortable about going "on camera." Also, while it can help to see distant participants as they speak, an image on a television monitor is different from a face-to-face meeting, and participants must adjust to this difference.

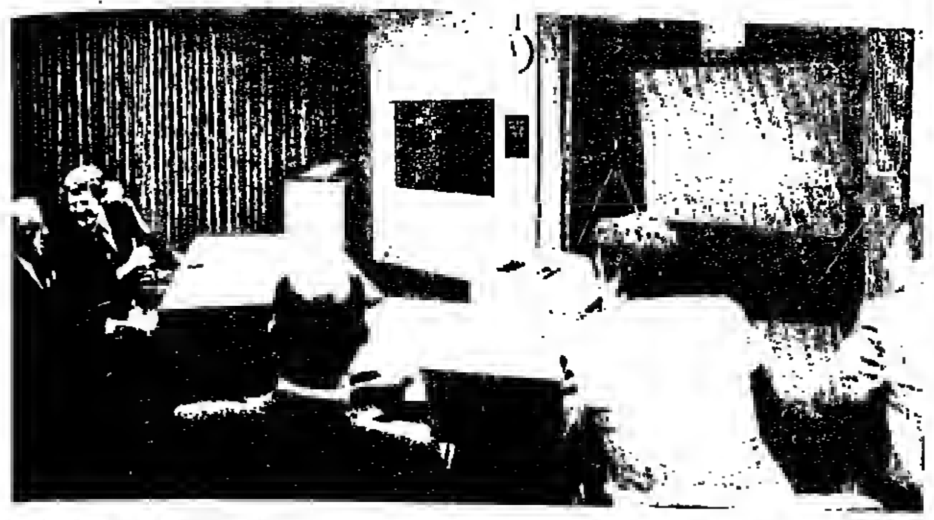
Computer teleconferencing: Computer conferencing is a hybrid medium that borrows its terminology from computer science even though its purpose, culture, and evaluation strategies are all more closely tied to communications.

This dual quality has created some identity crises for the designers and users of the medium; it has also generated problems for those who are concerned with regulating communications media.

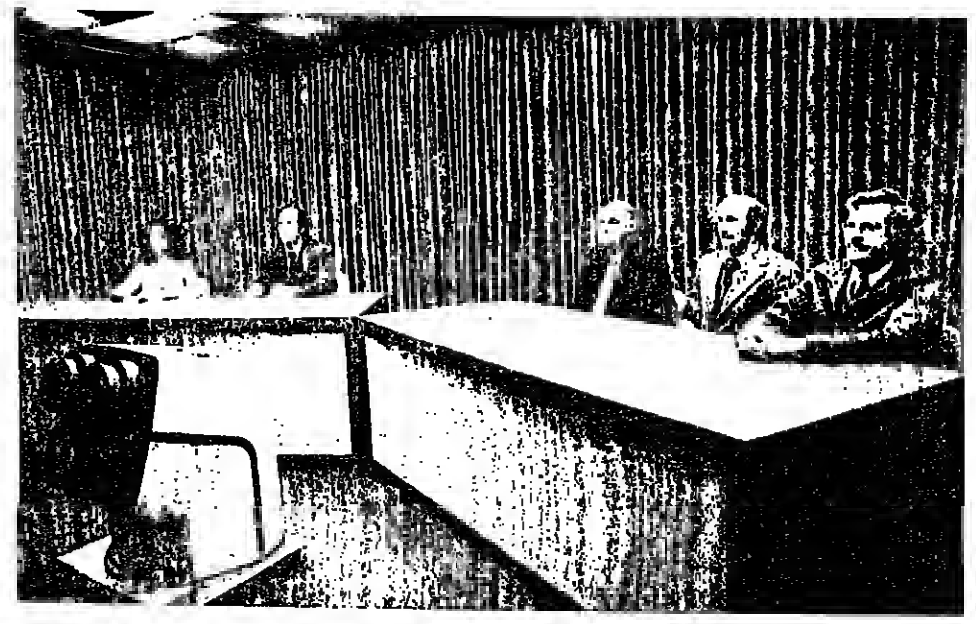
The designers of computer conferencing systems find it difficult to win supporters among computer scientists who view their work as simplistic.

Communications experts are skeptical, too; they ask: "Why can't we do the same thing with a telephone or with Telex?"

The answer is rather simple. Computer conferencing offers



Video teleconference meeting is in progress between Westinghouse Electric in Maryland and Ohio.



Court hearing via video "teleconferencing" is simulated with receiver, at left, projecting life-size images of remote participants on a screen.

group communication irrespective of time or space, and it is generally less expensive than the telephone and Telex once the terminal itself — an increasingly common device — is amortised.

For example, the Planet system, offered by Infomedia on a timesharing computer, typically costs less than 25 cents per 15 words delivered, regardless of the distance. Systems on special-purpose machines will cost even less in just a few years. Terminals rent from $100 to $150 a month, with costs going down.

In a computer conference, users type their messages to other conference participants on standard computer terminals, usually linked by telephone to a computer network. They receive printed messages at their terminals each time they join a computer "activity." Such activities typically involve three to 25 people, though they do not all have to be present simultaneously.

In fact, one of the most attractive features of computer conferencing is that participants can come in at their own convenience, see what has happened since they were last present, respond appropriately, and leave.

Between responses, they can check their libraries, draft responses, reflect on solutions to current problems, or talk to others without fear of being either disruptive or rude as they would be in face-to-face meetings.

Also, computer conferencing can bridge easily into other computer resources such as data analysis packages, data bases, or models.

Some of the most enthusiastic users of this medium have been government agencies, whose uses of computer conferencing have ranged from routine administrative tasks to crisis situations.

For example, at the United States National Aeronautics and Space Administration (NASA), Planet is being used to co-ordinate projects among the Communications Technology Satellite test centers all around the United States.

The US Department of Energy and the US Geological Survey have both used Planet to support joint research among their various branches. The US Federal Preparedness Agency uses a similar system called RIMS to monitor crises.

Computer conferencing has also found nongovernmental applications. The Electronic Information Exchange System at the New Jersey Institute of Technology is exploring applications involving a variety of scientific communities, as well as the handicapped.

Users of the Confer system at the University of Michigan have developed several educational applications for the medium, including committee meetings, seminars, and inter-university communication.

And a number of seminar-style conferences, sponsored by a variety of foundations and private organisations, have focused on topics ranging from psychic research to world climate changes.

One of the most impressive examples of such a conference was the International meeting sponsored by the European Management Forum. The subject of the two-month conference was technology transfer, and a dozen experts from five countries contributed to the discussion.

Computer conferencing, however, requires discipline and commitment on the part of the participants, who must schedule their own times for participation.

Many of today's managers are "interrupt-driven": they are used to having their day guided by the demands of telephone calls or personal visits. When someone says "drop in when you can," they usually can't.

Two hours away from their offices and they return to a stack of callback messages. Persons living under this sort of pressure are not good candidates for computer conferencing, unless they can make a major change in their own behaviour and that of the others with whom they communicate.

Computer conferencing is the strongest of the new teleconferencing media. With neither images of the participants nor voices nor even a shared moment in time, a computer conference hardly seems like a "meeting" at all.

Yet people are are using the medium to do many of the things they might normally do in face-to-face groups. And they are doing them by sitting down at a typewriter computer terminal, often in the privacy of their own offices or even their own homes.

Such a communications medium obviously provides new opportunities for people to work together while geographically separated, but its unique characteristics could potentially produce a greatly altered state of communication.

Audio teleconferencing: The apparent simplicity of audio conferencing is deceptive. It is easy to view this medium as a simple extension of the telephone: if two people can talk to each other so easily, why not three, four, or even 12?

For many years the telephone traditionally has been viewed as a two-party communication medium. It's for "calling somebody up," not for holding a meeting.

People simply do not think of the telephone as a group communication medium. Furthermore, the design of the telephone handset does little to encourage its use for long periods, and amplified telephones often do not offer adequate quality to provide a genuine alternative.

Nevertheless, telephone technology seems to be quite adaptable to group conferencing needs.

The technology for audio conferencing can be either permanent or portable. Typical of the permanent audio conferencing installations is the system at the Union Trust Company. The conference rooms look much as they did before the audio equipment was installed; the only obvious signs of their new function are six, movable table microphones and the speaker cabinets in two corners of the room.

Union Trust leases its own telephone lines to connect the conference rooms, which are in Stamford and New Haven, Connecticut.

NASA has perhaps the most extensive network of permanent audio conferencing rooms currently in operation. At NASA, the need for audio conferencing grew out of the early US space programme, as

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geographically dispersed contractors and NASA sites worked together on the Apollo Project.

In addition to voice transmission, the conference sites were also equipped for high-quality telecopying capabilities to allow immediate exchange of diagrams and technical information.

Portable audio conferencing equipment, available from several manufacturers, can transform an ordinary conference room into an electronic meeting center.

The University of Wisconsin relies on such equipment to conduct continuing education courses on a regular basis.

Portable units are available at 200 sites around the state, many in public buildings.

Professors remain on campus in Madison or Milwaukee or hold class from some more convenient location. Students attend class at the nearest court house or public library.

Perhaps the toughest operational problem in audio teleconferencing is the order of speaking. In face-to-face conferencing, visual signals usually aid in determining who speaks when; gestures and motions indicate when someone is almost finished speaking and even help to identify others who are waiting to speak next.

In audio teleconferencing, however, there are no such visual cues, and the establishment of speaking order — and sometimes even identifying who is speaking — are basic problems.

The engineers' response to this problem is voice-switched microphones: a speaker's voice captures the sound channel and forces others to wait until he is finished. Small group interaction is more complicated than that, however, and a voice-switched system can be very annoying.

A cough or sneeze, for example, grabs the microphone as easily as a spoken word. (The engineers' response here is a "cough button" which a participant can press when necessary.)

Beyond the cough problem, voice-switching can also limit group spontaneity. Speakers keep the floor as long as they continue to talk; interruption of the speaker is technically impossible.

So, when one speaker is finished, the other eager participants jump in with vigor, only to find the microphone lured away by another's voice.

Gordon Thompson of Bell Northern Research tells about one of the first complaints regarding voice-switching: two sisters who lived on opposite sides of Canada complained bitterly that voice-switching did not allow them to cry together. Nor can people laugh together over such a system.

The alternative to voice-switched microphones is an "open system" which allows everyone to speak at once. Such a system is more flexible but still leaves unsolved the problem of speaking order.

The result is often a staccato of simultaneous speaking patched with periods of awkward silence.

While interpersonal logistics within an audio teleconference remain problematic, emerging systems show definite improvements. Speaker identification is one remedy for the social problems of audio, and several systems are experimenting with alternative ways of identifying speakers.

Compared with video, audio teleconferencing might be viewed as an "intermediate" technology. The equipment is simpler than video equipment, and it costs less to use.

At the same time, audio appears to be adequate for many meeting tasks. And it may also be accessible to more groups.

Audio conferencing may, of course, require a little more discipline of its users. They must pay closer attention to who is speaking and what is being said. For the future, the most important question is whether users who take one-to-one telephone calls for granted can develop the same confidence in the technology for group audio conferencing.

As people in business, education and community organisations increasingly turn to new teleconferencing media for their communication needs, it will be important to resist simplistic visions of a technological utopia. Instead, users of the media should pay careful attention to the complex social choices in communication.

Four principles can guide them in these choices:

● The system is not the solution. Teleconferencing is the child of engineering, so it is perhaps not surprising that an undue emphasis has been placed on the technology of teleconferencing — often at the expense of social and organisational structures to support communication. The medium of communication is only the means which are used to carry information; one must also consider the ends to which the medium is being used.

● Face-to-face is not always best. It is tempting to think of face-to-face communication as a given standard to which media designers should aspire. The goal of teleconferencing, then, would be to produce an environment which is as close as possible to the "real thing" — that is, as close as possible to face-to-face. Such a horseless carriage approach, however, invites fundamental mistakes. In fact, as anyone forced to sit through boring meetings can attest, face-to-face communication is often both very inefficient and very undesirable. Does anyone really want to create electronic versions of all the boring meetings? Why not explore the ways in which electronic media can improve human communication, whether or not the new environment is reminiscent of the old?

● First uses are not likely to be future uses. Old communication habits may distort initial uses of electronic media, obscuring more likely future uses. First-time teleconferences tend to follow their familiar and comfortable patterns; over a period of time, though, they gradually acquire usage patterns more appropriate for the new medium. If initial sessions are used for determining choices about how to organise future meetings, organisers of teleconferences may be building-in mistakes which could ordinarily be corrected as users become more experienced.

● More communication is not always better. Consideration of teleconferencing media is often accompanied by an unexamined assumption that more communication would most certainly be better. In many cases, people already have more information than they are able to absorb effectively. The introduction of yet another source of information could make many situations worse rather than better. Communication pollution and information overload are real problems.

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Desk jobs bring boom for office suppliers

by Peter Isaac

THE growing proportion of people employed in desk-bound jobs has meant a boom time for the office equipment companies in the last five years.

Not even Prime Minister Robert Muldoon's tax has diminished the demand for office equipment.

The sheer volume of paperwork in the last five years has created a huge and apparently still unsatisfied demand for information storage, retrieval, and copying devices. It has been estimated that half the office space controlled by the Government in Wellington is, in fact, used for storage purposes.

Among the most significant factors of the last five years has been the advent of the mini-computer and of microfilm.

The mini computer was something of a blow to the bureau service companies, because it put computing within the reach of relatively small firms. So several of the leading bureaux countered by obtaining their own agencies for the minis — the best known example probably being Computer Consultants Ltd with the Qantel.

The pressure on microfilm came from overseas companies which forced New Zealand companies to come into line on such documents as parts catalogues.

The other great change over the last five years came with word processing which is the jargon word for automatic typing. The rush toward word processing in the last two years was caused by the need to hold staff levels.

The biggest New Zealand-owned company exclusively in the office equipment business is Armstrong and Springhall which for 1978 reported an after tax profit of $417,870. The biggest overseas owned company in office equipment is IBM NZ Ltd which for the last year made a profit of $3,148,000.

The biggest New Zealand-owned company with an interest in the office equipment business is New Zealand Forest Products, which now owns 40 per cent of OTC. The rest of the shareholding is still held by the Kyme family.

OTC supplies stationery, and holds the UBIX copier agency. OTC also makes the Rotascan filing system which is now exported around the world.

The Forest Products involvement with the business equipment field points up another interesting feature of the industry: just about everyone wants to get involved in it.

Companies with cash to spare are putting it in business equipment or the information industry as it is sometimes known.

The best example of this is Exxon, the world's largest company which last year announced its QYX typewriter.

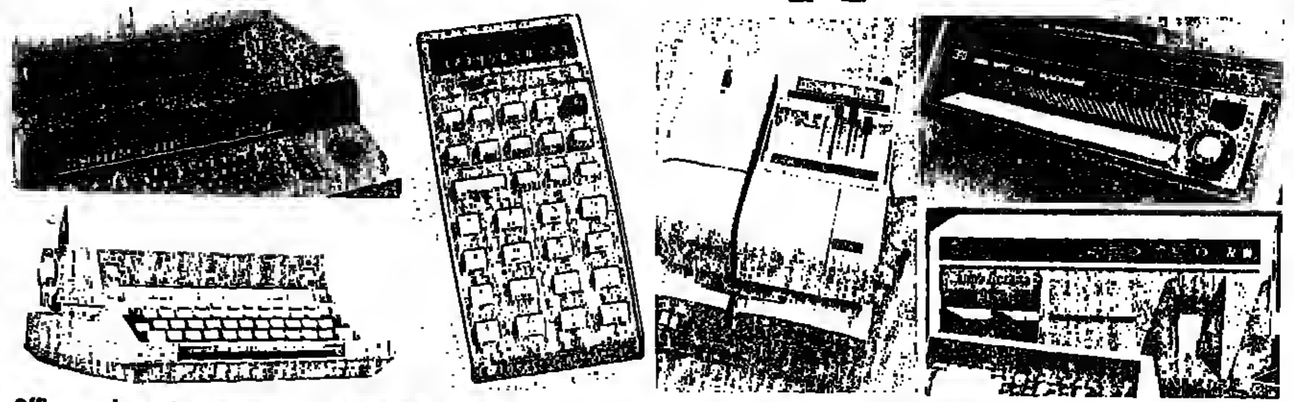
The QYX typewriter is the machine that will put the IBM typewriter on its mettle. There is no indication when the QYX will arrive in New Zealand, but there is bound to be a scramble for the agency when it does.

The biggest manufacturer of office equipment in New Zealand is probably AHI through its subsidiary Precision Engineering, which manufactures the popular filing cabinets among other products.

To a substantial degree the office equipment business moves hand in hand with the construction of new commercial buildings. A new office means new furniture and often new typewriters and filing cabinets as well.

There have been some mild disappointments within the industry in recent years. One of these has been the slowness of medium sized companies to accept word processing.

To some extent the problem here has been that executives have been reluctant to relinquish their secretaries in favour of a typewriter which by automating repetitive typing may do the work of three individual typists.



Office equipment companies are continually being joined by yet more companies wanting to establish themselves in the information industry.

There has been some especially stiff competition among the suppliers of plain paper copiers, largely as a result of the Japanese challenge. It was in order to meet this challenge head on that Rank Xerox relinquished its rental-only posture in favour of an outright purchase option.

When it comes to high technology the name of the game is price performance and you could feel the aura of exultation early this year when the IBM salesmen unveiled their 4300 series which jumped price performance by a factor of four.

But perhaps the real name of the game when it comes to integrated circuitry is competition. At around the same time as IBM was sending its competitors diving for cover with the 4300, the plug compatibles were staging an invasion.

After less than six months operation in New Zealand, Itel had sold two big machines both compatible with IBM equipment.

New companies are setting up shop all the time. A single big order is enough to establish a sales and service centre here. The latest mainframe company to arrive is Perkin Elmer Data Systems, formerly Interdata, which came here in the wake of the major TAB order replacing much of the previous CDC equipment.

The extraordinary growth in demand for business equipment has led international soothsayers to predict that the information business will be the biggest business of all by the end of the 1980s — bigger than the energy and transport business.

The industry is characterised by permanent optimism, founded on the experience of the spectacular growth during the 60s and 70s.

Executive job hunting — and these days it's not just the boss who is choosy

by Peter Isaac

THE personnel selection industry has become much more specialised in recent years as far as executive search is concerned.

The selection business is, of course, very competitive, and no company can afford to build up a reputstion for supplying its clients with clunkers — people who just don't fit in.

They have to know that the man they recommend is the right msn for the job. The curious chsracteristic about executive search in recent years has been that replies to the $15,000 plus job advertisements have tended not to be ss voluminous as might he expected.

The reason is that executive job aeekera sre now being just as careful about prospective employers as the employers are about them.

There are two reasons for this. The first is tha faar that the new job might be with a company that could encountar such difficultias in the marketplaca that it might have to slim down staff on the "last in — first out" basis.

The second, and evan more interesting resson, is that even if they do land the top job, the company might auddenly be taken over and what was once o top echelon job might just become a line job in a subsidiary compsny with a consaquent drop in status, promotion prospects, and even salary.

Executives know these days that with a falling internal market, no population growth, the only way a company committed to the domestic market can really expand is to take over another company.

This issue has now become even more approprlate with the growth of vertical integration by companies such as tha New Zealand Motor Corporation which will pounce on a company not directly linked to the auto assembly and marketing business. Thus, it is becoming increasingly harder to forecast whether a company will be taken over or not.

It is true thal absorption into a conglomerate could provide even greater opportunities for management talents to flourish. But the man from tha subsidlory who has no financial stake in that aubsidiary and then slashes his way through to top management of the parenl company still tends to be the exception rather than the rule.

The great seller's market of the 60's and early 70's when a bright boy really could punch his way through from the warehouse floor to the executive suite in five hard working opportunist years are now generally over. The job awitching which enabled the roughnecks to blast quickly up the ranks by switching firms every two yeara ago is now unlikely to return.

The accountsnts have taken ovar and thay want a solid background of qualifications aad job history. Thera hava been too many examples in New Zealand over the lost eight years of charlamotic top monagement leading the firm over the cliff face for there to be too much sympathy for mavericks.

So although tha number of vacanciea has declinad swiftly in recent yaars the care taken in the search for lha right man has grown more intensa.

This has providad grester opportunity for the executive saarch people. Sŏ has the marked trend for companies to took outside their own ranks for top management.

An axample of this is W R Grace, which went to AHI to recruit Peter Mulgrew to head its New Zealand operation. He replsces retiring Norman Spencer, who also came in from outside.

Another factor which means business for the executive search firms is the increasing tendency for the overseas owned conglomerates to fill top jobs hera with New Zealand nationals.

So whila the volume and the quantity has reduced the quality raquirementa have increased significantly.

Comments A T MacLeod, a founding director of Wareham Associatea: "Companies are wstching staffing levels very closely. They can afford to be more selective. Companies such as ours must be very detailed in their work to hold their place in the market."

For their part executives seeking jobs are being highly detniled ns well. One of the most interesting recent developments is that mobile New Zealand executives are not just looking in the New Zealand, or even the Australian papers for jobs, but the British papers as well.

Dual passports have become relntively commonplace now and with the reduced nir fores a really ambitious executive can fly to London, Hong Kong or Singapore for a job interview creating on initial plus with a prospective employer for lateral thinking.

The grnwth in office plncement in the last five years has been in the first job and younger cotegory. Firms are hecoming increusingly reluctant to organise their own recruitment directly, preferring to go through s staff selection company.

Joyce Rsttray, of Rattray Situations Vscsnt, notes that there is no shortage of jobs — but employers are becoming increasingly choosy.

As far as school leavers are concerned they require School Certificate and preferably two years' experience.

On the executive side, she has noted that employers are hecoming more age conscious. Job seekers over 45 can run into age difficulties, she notes.

Another factor Rattray has noted is that employers are paying better for the right person. The big demand is in accountancy. ABCA after only two years' experience can command $12,000 or more.

The oh-so-confidential work of a headhunter

by Cathy Strong

HEADHUNTING is on the rise in New Zealand's business world. It is quick, afficient, and has been proven overseas to be sn effective way to find top executives.

Headhuntiog is a mannar of recruiting peopla who are in short supply in the work force.

Often only four or five persons would qualify for a particular job. It would be extravagant to adverlise, leaving it to chsnce that thay would see the ad.

Another reason for not advertising is that often the company is looking for a person to fill a position that isn't yet vacant!

For the most part, headhunting is applied to the search for top axecutives, sucb as managing directors. But it also can rafer to highly specialised skilled people.

It differa from an employment agency's mora familiar work in that there ara no advertisements. The hunter uses his own contacts snd means to farret oul the appropriate candidates.

Everything is v-e-r-y private.

Ted Spraggon, mansging director of John P Young and Associates, is one of the headhuntars in Wellington. He says it is a small part ot his business, but is growing.

"It has really grown in the last three years," ha said. "It is a well known technique overseas, in Australia, England and America. It msy be growing because of s shorlage of people in some spheres.

"The salaries now are big enough to spend a little effort in filling them. I also think that they now appreciate that there is a need to take care in sppointing staff.

"The scarcast commodity in humao resources is a mansging director of a large company," he said.

Thst is whare Spraggon finds a lot of business. Not that companies are sacking their top men, but thera are retirements and, more frequently, expansiona.

Spraggon danies that the axercise almply perpetrates the old-boy network. He says they want people who already have experience in axecutive responsibility. . .and that the besl talent stands out like a haystsck in a paddock.

"We sre not an employment agency," he says with a quick apology for sounding snobbiah. Top executives wouldn't want to be caught in an employment agency, sitting in the queua with thair secretaries and typists.

"The type of man we want would feel more comfortable with someone on a par with them."

Spraggon haa dippad his finger deaply into tha everyday business world he talks about. Ha worked for Cadbury, Nationsl Tobacco and Taubmans before going to Australia to be marketing manager for Taubmans.

JPY racruitad him in Melbourne. Young had mat him 10 minutes esrlier over a drink and quickly aized up Spraggon as the man to open hia New Zealand office.

JBY now haa offices in Wallington, Chriatchurch, Auckland and Suva. They do managament training and consulting as well ss executive selection.

The grapevine is important to Spraggon in hunting executives. Although he is not a deliberate organisation-joiner, he says he would have his hesd in tha sand if he didn't admit that "the more you mix and meet, the more buainess comes to you."

How does he hunt business heads?

A compony asks him to find, say, a managing-director and agrees to pay tha fec — 10 to 15 per cent of the position's tirst year salary package.

Spraggon inspecta the company and its executives to get an idea of who would fit in, and to make surc that the best candidate isn't already in the company (which sometimes happens; then Sproggon losses out on his fea.)

Then he talks to people, gocs through his memory, and checks out his firm's data bank (a master file ot potentials who previoualy expresaed a willingness to shift jobs.)

When he settles on a name he rings the person at home at 7 am.

Ringing at 7 am is important, becausa the person usually is at home, and is abla to talk privately without work-mates, friends or family hanging around. Spraggon simply says that a position is open and auggests that the man may want to apply.

So far, none of these 7 am phonecall recipients haa turned down the opportunity to interview for the job.

Then Spraggon aizes up tha person on a professional and personal basis. Ha wants to make suro he will be a good executive for that particular company and will tit in socially with the peers.

HEAD-HUNTER TED SPRAGGON . . . the scarcest commodity in human reaourcea is a managing director

"A man has his hunches, a woman has her intuition. I get a feeling sbout whather or not a person will fit," Sproggon said.

His reputation is st stake if he places the wrong person, but he is quick to point out that he doesn't do the hiring. The company accepts or rejects a person. . .on the strength of Spraggon's personal report.

Haadhunting bas been popular in other countries for 15 years or longar. In Amarica headhuntars are filling $200,000-a-year jobs; in Australia it is the $65,000-a-year job.

That makes it difficult hara, since tha pool of resourcea is limited and ovaraeas talent isn't likely to be wooed to Naw Zesland for salaries of only up to $30,000.

Therefore, there tends to be a lot of "stealing" from one company by another. . .or prying executives away from their current joba.

Spraggon aays he doesn't get involved in that. Even if a company says it specifically wants so-ond-so, he only goes as far as suggesting to the person that the job is open.

Some management consultant firms were reluctant to talk about the subject, because they considered headhunting a dirty word — even if they did engage in it.

Some firms are said to be so blood thirsty that they steal away uxecutives that they themaelves placed a couple of years previoualy.

Sought-after exacutivea experience a good amount of courting from headhunters.

Some companies maka it plain that they headhunt on a limited basis, only for companies thay know well so that thay don't appear to be raiding their own clienta. Others don't headhunt at all and condemn it aa a "rat race" praclice not desirable for littla New Zealand.

Impact of the new technology: early stirrings of a communications and information revolution

by PATRICK YOUNG
Washington-based science writer

In this article commissioned by the Press & Publications Service, the author, a leading American science writer, describes some of the new communications technology and notes that the blending of communications and information functions foreshadows major changes. Some authorities, he says, have suggested an impact equal to that of the Industrial Revolution.

CUSTOMERS of more than 30 banks in the United States can pay their bills by simply pushing the appropriate buttons on their touch telephones. This instructs a bank's computer to transfer money from the customer's account to his creditor's.

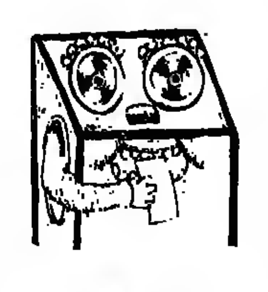
In Columbus, Ohio, subscribers to the Qube cable television system are part of the act. With a book-sized electronic console, they can respond immediately to questions — answering public-opinion polls, voting for the winner of amateur talent contests, and engaging in competitive word and puzzle games. Their responses are quickly tabulated by computer and flashed on the screen.

Researchers can use terminals at more than 800 institutions in the United States, France, Canada, Iran, Mexico and South Africa to communicate directly with a computer at the National Library of Medicine in Bethesda, Maryland. The computer provides an extensive reference list of books and articles on any medical topic.

These three examples represent early stirrings of a revolution in communications and information. Where once there were two basic and distinct forms of communications — the printed word of letters, books, newspapers and magazines, and the electronic signals of telegraph, telephone, radio and television — there is now a merging and blurring of the two.

Via satellite and landlines, computers exchange information that once went by mail; the electronic transfer of funds from one bank account to another is replacing cheques; some library patrons are as likely to get their information from a computer data bank as they are from a book; and television systems exist that are as much an information source as they are an entertainment medium.

This blending of communications and information foreshadows major changes in society. Some authorities suggest an impact to equal the Industrial Revolution, with both great benefits and profound problems.



COMPUTERS

A few fear a new class distinction developing between the information-rich and the information-poor, the computer "haves" and the "have nots."

The revolution is far from fruition. Indeed, what sociologist Daniel Bell, of Harvard University, envisions as the "Information Society" is still fragmented in its development. But within these fragments, technological innovations are occurring that portend great social, economic, educational and, perhaps, political changes.

Television: Americans are accustomed to staring at their sets, but as the Qube system has proven, television can be more than a one-way medium. Moreover, two information technologies that use home television screens as computer terminals are making rapid progress in Europe and undoubtedly will be adopted in the United States.

The first is known generically as teletext — systems are in operation in Britain and France and being developed in West Germany, Canada and Japan.

The second is called Viewdata. Both require a special decoder on the TV set.

In Britain, the Government-owned British Broadcasting Corporation and the independent Broadcasting Authority (commercial television) offer separate teletext systems. BBC's is called Ceefax (from See Facts) and commercial television's is known as Oracle.

Teletext is a one-way system that uses existing TV transmissions to carry digital signals that can be converted into "pages" of information. British viewers with decoders can call up News headlines, and then details of stories that interest them, weather reports, sports and financial news, recipes, consumer information, listings of local entertainment, and much more.

Within seconds, the information flashes on their TV screens.

Viewdata is a two-way system that allows interaction with a computer data bank via telephone lines. Again, the television screen serves as a computer terminal. The British Post Office recently introduced a Viewdata system, which it calls Prestel. It expects to have 50,000 customers on line by the end of 1979.

Viewdata systems have a vastly greater capacity to store information than teletext. Moreover, they can be used to send information from one person to another. But the two systems are basically complementary rather than competitive.

Electronic Information Distribution: This includes electronic funds transfer (EFT), and the electronic delivery of mail, newspapers, magazines, and other materials by facsimile.

EFT allows financial transactions with electronic impulses. Rather than using paper money or checks, funds are transferred from one account to another through a computerised system. There are a number of variations already in operation in some places — telephone bill paying, for example, and point-of-sale systems that immediately deduct money from customers' bank accounts when they make a purchase.

But the two rapidly growing forms are automated teller machines and the direct deposit of money.

Automated tellers allow authorised customers to withdraw cash or make a deposit, transfer money between accounts, check their balance, take a small loan, and make loan payments. And all with a piece of plastic called a debit card.

These cards, each encoded with a specific number, trigger the bank's computer, which carries out a customer's requested financial action.

The electronic depositing of checks is an area of explosive growth.

Twenty per cent of all US Social Security (government pension) payments are [illegible] electronically deposited [illegible] recipients' accounts. Most [illegible] federal employees will [illegible] their pay via computer transfer by the end of [illegible] many businesses [illegible] switching to the system [illegible] possible.

"The US Treasury is [illegible] for electronic funds transfer," says Roman V. Mrozinski [illegible] the US National Academy [illegible] Sciences staff in Washington. "Every time a federal [illegible] gets lost in the mail it costs [illegible] average of $200 to straighten out."

Much business "mail" [illegible] already sent by [illegible] systems. EFT is [illegible] mailing costs, too, since [illegible] transfer costs a fraction [illegible] what it costs to mail a [illegible]. And many see a time [illegible] Postal Service will [illegible] virtually all first class [illegible] electronically. Letters will be opened automatically, transmitted, and delivered either by human carriers [illegible] a printer in the office or [illegible].

"We would have [illegible] mail service throughout the United States," [illegible] Mrozinski.

Newspapers and magazines might also be delivered [illegible] electronic impulses to a [illegible] printer. Customers could [illegible] articles on a video screen [illegible] select the ones they want. By the turn of the century [illegible] may be possible to [illegible] newspapers and [illegible] materials directly to [illegible] via enormous communications satellites.

Libraries: No longer [illegible] libraries just [illegible] repositories. Patrons [illegible] borrow records, audio [illegible], video tapes, photographs [illegible] films. But bigger changes [illegible] ahead.

Already some libraries [illegible] replacing the traditional card catalogues with electronic book lists. Some [illegible] computer terminals to [illegible] various information [illegible] banks, a trend [illegible] accelerating. And some [illegible] seem certain to [illegible] computers for recall [illegible] display.

"Even in the library [illegible] you obviously are [illegible] have books, [illegible] photographs — the [illegible] you look at today," [illegible] Robert Hiatt of the US [illegible] of Congress.

"No one is going to [illegible] and read 'Gone With the Wind' [illegible] on a computer terminal [illegible] you might have encyclopedias on a computer."

Some see library users regularly accessing [illegible] banks around the world [illegible] arranging intercity [illegible] and even international [illegible] books.

These electronic [illegible] the ability of the computer [illegible] electronics industry [illegible] produce smaller and [illegible] sophisticated machines [illegible] lower prices have [illegible] speculation about the [illegible] government, industry [illegible] commerce, education [illegible] family.

If futurists are correct [illegible] middle-class home will [illegible] electronic marvel. [illegible] will rely on home computers and they will be linked [illegible] computers for a variety of services.

A residential computer [illegible] direct a robot to clean [illegible] and wash floors, [illegible] oven's cooking time [illegible] a perfect roast, [illegible] house temperature, [illegible] against intruders and [illegible] and, when a family is [illegible] turn on the furnace [illegible] conditioner when ordered [illegible] a telephone call.

One member of the [illegible] may watch the TV [illegible] news, then use the [illegible] system for the [illegible] week's weather report [illegible] closing prices on a stock investment, and finally settle in to answer a series of questions in a public-opinion survey.

Another may pick up the phone and with a few taps of his finger learn his bank balance, arrange a small loan, and then pay bills.

Yet another may use Viewdata to gather information for a report from several data books, call on the home computer to analyse some data, and arrange for a library to reserve a book.

Then he may ask Viewdata to make airline reservations to an overseas capital, select an hotel, obtain an assessment of current plays, reserve theatre seats, and provide a list of restaurants.

Technically, there are relatively few problems to developing these systems and integrating them into a national and international information network. The real problems are economics and government regulations.

Cost is one economic factor. But with acceptance and mass use, the cost will drop. When Texas Instruments, Inc, introduced its teletext decoder in 1976, the cost was $225; the company expects to price it at "well under" $50 in early 1980. One authority predicts that home computers will cost about $100 by 1985.

In the United States, federal regulations prevent the introduction of teletext and viewdata systems. And this is unlikely to change soon. Several of the nation's largest companies are vying to set up the systems — and thus reap the profits.

Ultimately, the decision probably will rest with the Federal Communications Commission (FCC), the US agency that regulates the broadcasting industry and interstate telephone and telegraph transmissions.

"The FCC is going to have to come to grips with a very important question: whether the barriers between common carrier and broadcaster can be broken down," says attorney John L. Bartlett, a specialist in communications law with the Washington firm of Kirkland and Ellis.

"Beyond transmission capacity, the big question is who is going to provide the services and what services are going to be provided."

But these are not the only issues. While some people enthuse about the benefits the Information Society will bring, others worry.

The protection of personal privacy is a major concern. Increasingly, government agencies, businesses, and educational institutions are storing data on people in computers. Some of these data banks are interconnected; exchange of computerised information on customers is part of modern business; proposals for a federal data bank containing information on citizens gathered by many different agencies have been made.

Computerised information is easier to retrieve than paper. Many of the new electronic capabilities will record personal information not now available.

EFT, for example, will compile detailed personal financial records. Clearly the Information Society poses potential threats to privacy.

Also, the question is being asked: Will society be split into two classes — computer literates and computer illiterates?

"Unless some public policy is adopted to ensure some universal computer literacy, we will see a new class distinction," says John Richardson of the National Telecommunications and Information Administration, an agency of the US Department of Commerce.

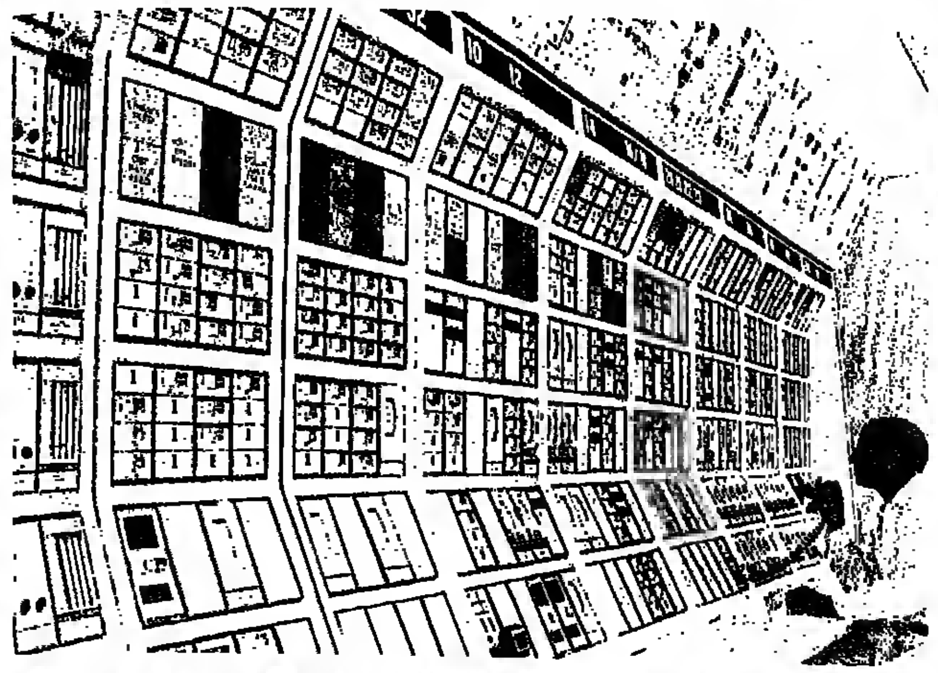
Joseph Weizenbaum, professor of computer science at the Massachusetts Institute of Technology, recently raised some other questions:

What indirect effects will society suffer from being monitored and controlled by a system of technology it little understands? Who will be the victims of this technology? What limits should society set on the computerisation of human affairs? What will be the impact of this computerisation on human dignity and our self-image?

As these questions are pondered by both proponents and those who favor a more cautious approach, the new technology is becoming increasingly available.

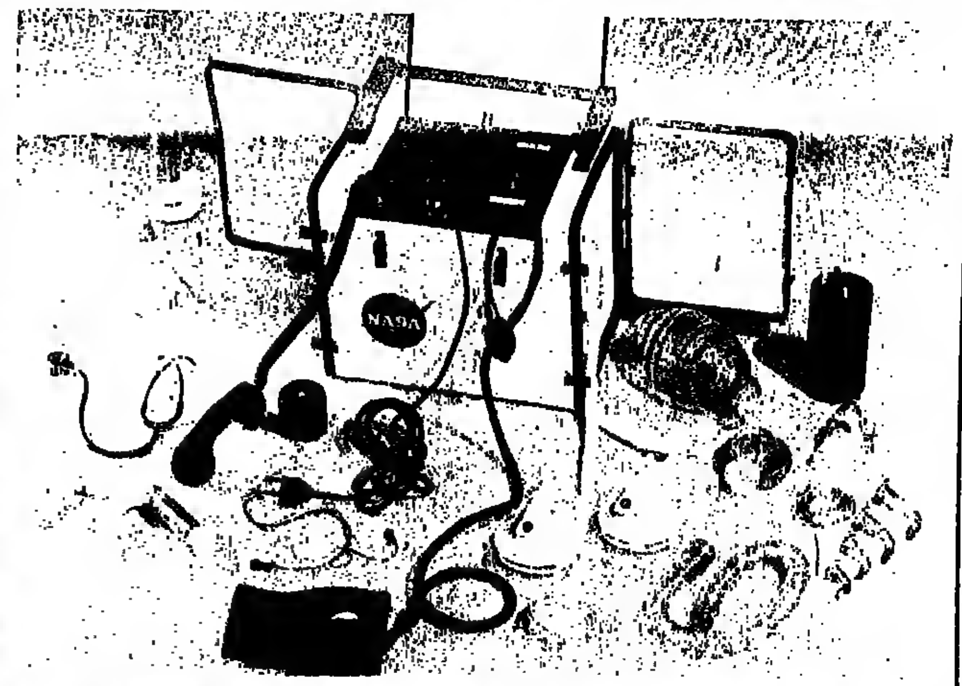
The fundamental questions of its impact are being asked. Important policy decisions are taking shape in countries throughout the world.

The result undoubtedly will be profound changes in society and the way we do things.



A SPECIALIST at Merck, Sharp and Dohme Pharmaceutical Company in Elkton, Virginia, operates a large computer-controlled manufacturing facility for medical tablets. Some authorities suggest that the impact of new technology will be as great as that of the Industrial Revolution. Photo from Press & Publications Service (No. 78-341).

THIS SO-CALLED "BROWSING TERMINAL" permits a patron to search a library catalogue. It is possible to locate any book in a million-volume collection with six "touches" in about 30 seconds. It is part of the technological revolution in the United States. Photo from Press & Publications Service (No. 78-1488).



WITH THIS EMERGENCY MEDICAL KIT, American ambulance attendants can radio vital data to a hospital emergency room kilometres away. It was developed in co-operation with the U S National Aeronautics and Space Administration. Photo from Press & Publications Service (No 74-68).

NBR BUSINESS WEEK

Savings stock issue finances fiscal deficit

by Peter V O'Brien

"THERE are various alternatives available to the Government for financing a fiscal 'deficit before borrowing'. These are: borrowing from the Reserve Bank, borrowing overseas, borrowing from the domestic financial system or borrowing from the general public. Of these alternatives, borrowing from the general public is the only one which does not involve an increase in the money supply approximating the size of the borrowing requirement, as borrowing from the general public generally removes part of the money supply from the system. For this reason, borrowing from the general public is accepted by most economists to be the least inflationary financing alternative". (Reserve Bank Bulletin, March, 1978, page 51).

The Reserve Bank's comments on the 1978 New Zealand Savings Stock are timely in view of the latest Government moves on the cash issue and another savings stock.

Rates in the cash issue have been increased significantly (11 per cent for one year, 12 per cent for 3 years, and 13 per cent for five years), and there will be a savings stock to take additional funds from those members of the public willing to invest in public sector securities. The 1978 savings stock took $294 million out of the system, and assisted the financing of the fiscal deficit.

While only one savings stock issue was made in the 1978-79 financial year, there is the opportunity this year to have more than one issue, the number probably depending on the size of the deficit (which will be in the Budget), the amount raised from the current cash issue and from the new savings stock, and the time taken to process the applications received from the public. In regard to the last condition, the Reserve Bank processed 73,700 applications last year. This "created a number of administrative problems which were later overcome". The Reserve Bank's experience should allow it to speed up the system this year.

NBR of April 11 suggested that it would be appropriate for the Government to move strongly in the market for terms up to three years. It has been decided to offer an attractive rate for five years as well, while leaving the 10 year interest rate unchanged. Opinions will differ as to whether five years is a "medium" or "long" term issue, but the static interest rate on 10 year stock seems to reflect in part the investment trend applicable in the money markets at present, apart from the technical question of yield patterns.

The increase in private sector credit expansion in the 1978-79 financial year owes a lot to the impact of the deficit, but this year the rates offered, plus the ability to make further issues and the warning that institutions could have their reserve asset ratios raised, should allow a lower level of expansion. Much depends on the size of the deficit, which in turn also depends on the relationship between Government revenue and expenditure in real terms (ie, after allowance for the impact of inflation, and related to GNP).

The Reserve Bank says that "the savings stock scheme was therefore an important contribution to the financing of the budget deficit in such a way as to alleviate some of the potential inflationary pressure of the deficit. Also, by attracting a large number of new investors, it is hoped the Savings Stock scheme has created an awareness of Government securities as a worthwhile and competitive investment. This should assist the development of an active market in Government securities".

The Bank says that 73.3 per cent of applications to the Savings Stock last year came from the public, compared with a public contribution of only 1.8 per cent on average in the cash loans between 1970 and 1978.

Two questions arise from the latest decision on public sector interest rates and issues. One is the development of a market for those securities, and the second is the effect on interest rates in the private sector. The Reserve Bank says that "Government securities must be sufficiently attractive to private individuals, firms and financial institutions to induce them to buy Government securities rather than hold some alternative financial asset". In the Bank's view "once this crucial first stage of setting up a market in public debt has been achieved, the authorities can influence monetary conditions through open market operations by buying and selling already issued Government securities".

While that concept is well known overseas, it is comparatively new to this country, and explains the gradual approach in developing the market. It may also partially explain the decision to keep the long term rate unchanged, because the "alternative" investment for a 10 year period does not appear particularly attractive to the public in present conditions.

The effect on private sector interest rates will depend partly on the judgments made in financial institutions, and partly on the success of the issues.

If Government securities, and their rates, have the effect of restricting private sector credit growth, they will also restrict to some extent the demand for that credit, as well as dampen down the inflationary impact of the deficit. Therefore, in theory, financial institutions will have to look at their ability to lend money at whatever rate they now decided to borrow it.

If the institutions decide to compete with the Government by "topping" the public sector rate, they could be in trouble if, after preservation of a administrative and profit margin, they found little demand for the more expensive money.

Apart from the Fletcher issue of specified preference shares at 15 per cent for three years (which is effectively a fixed term security) UDC's "one off" note issue at 14 per cent for three years and a Challenge Finance's similar rate are the highest rates recently brought to the market by a major private sector institution.

The Government's rates will underpin the market. The banks lifted their rates last week. Other groups may maintain their rates, or lift them slightly, or they might decide to reduce the margin between the competing investments.

Analysing annual accounts

by Peter V O'Brien

THE Golden Bay Cement Co. Ltd. is fortunate in the financial strength it has built up over almost 60 years. This strength has allowed the company to finance development without putting undue strain on its financial structure.

The latest annual report shows that the group increased term liabilities $3.8 million in 1978 (with another $400,000 added since balance date) and lifted bank overdraft from $732,272 to $1,452,869 during the year. But the proprietorship ratio (relationship between shareholders' funds and total assets) was 67.8 per cent at December 31, 1978. While this is lower than the massive 82 per cent recorded at the end of the previous year, it is still healthy. It allows room for additional outside financing of the development at Tarakohe, in Golden Bay, without bringing the company to the danger level.

But the interest bill on the amount borrowed so far, and on the additional money needed to complete the project, will put pressure on revenue unless the group can increase either its tonnage sales of cement, or the prices for the product.

A note to the accounts says that bank term loans are being borrowed at rates between 11.5 and 12.5 per cent, while a debenture stock issue carries a rate of 12.75 per cent. The full impact of the interest bill has yet to show up in the accounts, but last year Golden Bay had an interest bill of $239,410 compared with $60,802 in 1977. Another $130,000 was capitalised to "plant under construction."

The company sold 500,867 tonnes of cement (including tonnage from the 50 per cent associate company Wilsons (NZ) Portland Cement Ltd) compared with 568,863 tonnes in 1977. The report includes the comment that "indications are that the cement industry will continue to face difficulties until we can see some real upward movement in the usage of cement."

A price increase last year lifted dollar sales from $15.7 million to $17.5 million, but the total cost of operating the business increased at a faster rate (from $13.6 million to $15.8 million). The trading surplus consequently retreated from $2.1 million in 1977 to $1.67 million last year.

The return on shareholders funds was 8.8 per cent, as against 10.3 per cent in 1977, and 11.1 per cent in 1976. Golden Bay presents its accounts on the "historic cost" basis, and makes no attempt to adjust to inflation accounting principles. Since group shareholders funds are $19.5 million of the $28.8 million invested in total assets, and fixed assets are now $10.3 million ($6.99 million in 1977, before the addition of the increasing investment made at Tarakohe last year), an adjustment to current replacement cost accounting would have a significant effect on both asset values and shareholders funds. The "plant, vehicles and ships," in particular seem to be well behind a current replacement cost accounting figure.

These items had a "cost or valuation" of $14.4 million at balance date, from which $10.9 million was deducted in accumulated depreciation to give book value of $3.5 million.

The present replacement cost of that plant, given the high total depreciation, would be much higher than $14.4 million, with a consequent effect on the depreciation charged to annual revenue and to assets revaluation reserve.

An adjustment to the figures for the benefits of financing from outside the group would alter the figures. But the high proprietorship ratio and investment in fixed assets (81 per cent of total assets) suggests that Golden Bay would undergo a more dramatic change than most other public companies if current replacement cost accounting principles were applied to the enterprise.

The group's balance sheet is reasonably straightforward when read in conjunction with the notes and the comments on capital investment and financing. Stocks increased rapidly in 1978, a movement which receives no explanation. At balance date stocks were valued at $5 million, compared with $3.7 million in 1977. There could be several reasons for the change, but the company omitted any reference to the alteration.

Total tonnage of cement declined in 1978, in line with the depressed construction industry. Either Golden Bay held higher tonnages in stock at the end of the year, or the costs of producing the stock increased substantially, or a combination of the two resulted in the 34.8 per cent increase in stock valuation. The movement is large enough to receive some comment.

A $700,000 increase (to $1.2 million) in creditors probably relates to a higher cost of supplies, and the per cent lift in bank overdraft no doubt relates to the cost of holding higher stocks. In both cases the changes are worthy of explanation.

Golden Bay increased its dividend payout from 10 to 12 per cent in 1977, but the cover is now down to 1.2 compared with 1.48 in 1977, 1.43 in 1976 and 1.31 in 1974.

The company needs higher profitability, particularly when the future interest bill is taken into account. It is hard to see where it will come from in the present trading climate unless prices are increased again. That policy can lead in turn to market resistance against the product.

Manufacturers avoid rapid stock buildups

by Peter V O'Brien

MANUFACTURERS are taking care to avoid a rapid buildup in stocks following the impetus given to the economy in the last 18 months.

The Department of Statistics has reported that manufacturers' stocks of materials were 2.8 per cent lower at December, 1978 when compared with the previous year. Stocks of finished goods (which incorporate added value and therefore a higher dollar level of cost inflation than materials) were 4 per cent above the amount shown in December, 1977.

The Department's quarterly survey of manufacturing statistics shows that most of the leading indicators rose over the year, but stocks were significantly below the other indicators.

Sales increased, in dollar terms 23.9 per cent, gross capital expenditure was 14.8 per cent higher, salaries and wages moved up 18.1 per cent, company purchases 18 per cent, "other operating expenses" 7.2 per cent, and the hours worked improved 4 per cent.

The fact that other "operating expenses" increased only 7.2 per cent may be an indication of the tighter discipline which companies have been imposed on controllable costs, apart from wages and materials.

Cost cutting exercises were widespread in industry after the full impact of the recession in manufacturing and commercial organisations. Little can be done about the increase in wages, unless the staff numbers are reduced ("labour shedding" is the in expression to cover cases where people are either laid off or not replaced when they leave of their own volition). The cost of purchases is also outside the control of the manufacturer, unless he can shop around among different suppliers with widely varying prices. That is an unusual occurrence, although not completely unknown, depending on the industry, method and forward time of ordering, and other considerations.

But companies can control the level of variable expenses, and they can exert influence on the level of stocks in their warehouses. A 7.2 per cent increase in general expenses was a good return by the manufacturing sector in the year to December, 1978.

Stocks are capable of closer control, because the manufacturer is working on inventory levels on a daily basis. The outcome of the indicators for 1978 shows that companies were cautious in their level of both materials and finished goods. In the September quarter of 1978 stocks of materials were 3.5 per cent lower than in the same three months of 1977, so the 2.8 per cent change in the December year is an "improvement" over the previous running annual figures.

The pattern of movements in finished goods is also interesting. Stocks of finished goods in September 1978 were 3.8 per cent (in dollar value) higher than in September 1977, moving up to a 4 per cent annual shift by December.

The movement over the year reinforces the view of the Institute of Economic Research (March, 1978 Quarterly Predictions) that "the return to more normal levels (of stocks) will be gradual". The Institute said it appeared that manufacturers and distributors were determined not to be caught in a repeat of the 1977 stock squeeze, had preferred to run stocks below "normal" and were waiting for definite signs of economic recovery before re-stocking.

The Institute said these factors helped explain the "comparatively sluggish upturn in import payments (although orders are rising more rapidly) in spite of the recovery in consumption in late 1978".

A combination of the institute's findings and the Department of Statistics' figures supports the view that companies are manufacturing on relatively short lead times when compared with the position about two years ago. (That does not necessarily mean that the customer will receive his order any earlier, rather that the manufacturer is producing to orders not for inventory).

The high cost of money recently may also be a factor in keeping stock levels low, both in raw materials and finished goods.

Unless the manufacturer can move his production quickly, he is faced with obtaining expensive money to support his true liquidity, as opposed to the accountants' "working capital concept". The latter is merely current assets less current liabilities, and no use to a company which cannot turn some of the current assets into liquid funds to pay the current liabilities.

It is now in the manufacturer's financial interests to keep stocks as low as possible, with a consequent saving in interest payments to the bank or other finance supplier.

The latest statistics also serve as an indicator of a static economy, which is doing little movement (underneath the artificial demand stimulation which has been around for some months) in any direction. Manufacturers have been through the "destocking" period, and are showing little inclination to restock, at least in the short term. It is likely to be well into the year before the present sets of figures are reversed.

Market undervalues Wattie

by Peter V O'Brien

THE market may have undervalued Wattie Industries in the recent wave of share price increases. The company's interim figures for 1978-79 show that it is sharing in the overall improvement in profitability among listed companies.

In spite of a 44 per cent lift in taxation, Wattie managed to turn in net profit for the six months of $7,297,000 compared with $6,064,000 in the corresponding period of 1977-78. The first six months of that year was comparatively depressed in relation to the July-December period of 1978. The latter coincided with the "stimulated" economy. Wattie's performance has to be seen in the light of the share price and the outlook for the rest of the year.

The share price was 87 cents after announcement of the interim figures. At that level the dividend yield is 7.73 per cent from last year's payout of 15 per cent (7.5 cents on the 50 cents shares). That is a reasonable yield in the present market for a heavyweight stock, although Wattie has had difficulties in holding its return on the sales dollar in recent years.

In the first half of this year the return was 4.66 cents, compared with 4.35 cents in the corresponding period of 1977-78. In the next six months the group is unlikely to fall much below that figure.

Assuming that net profit reaches $15 million ($12.8 million last year), the company would earn 25 cents a share if the $5,728,000 worth of specified preference shares are treated as non-converted and the $718,000 in specified preference dividend is deducted from net profit. If the specified preference capital is treated as converted (a treatment which finds favour with analysts) the earning rate is 21.88 cents a share. In the former case the price-earnings multiple at 91 cents is 3.64, while it moves to 4.15 in the latter. The dividend cover is 3.33 on an earning rate of 25 cents a share, and 2.9 at 21.88 cents.

In either event there would be scope to increase the payout, although last year the dividend went from 7 cents to 7.5 cents, following a period of 3.25 cents between 1973 and 1976. There was a one for ten bonus in late 1977. A lift of 0.8 per cent in the interim dividend this year suggests that the total dividend could be higher than last year.

Wattie probably suffers on the market from its image as a major food processor, which dominates the canned goods, frozen foods, and milling industries. While that image is partially correct, it fails to reflect the overall structure of the group.

Wattie's food activities bring it within the scope of the remaining strict price control provision under the amended price regulations, but several of the company's non-food activities are providing a solid proportion of total profit.

The directors said in the interim report that the return on non-food business offset a decline in percentage earnings from food. The non-food business includes a wide range of building supplies, industrial goods, chemicals, plastics, transport and many other items.

The company is also increasing its export trade, with consequent benefits to set against the difficulties of the local food interests.

The constant talk of "restructuring" the economy should work in Wattie's favour if the expression is to mean anything, and if it is put into practical application, rather than remaining a catchword among economists and in politicians' speeches. Wattie's food business uses "indigenous resources", and processes them with a high level of added value. The end products find outlets in overseas markets, after satisfying local demand. It is inconceivable that "restructuring" could do anything but assist an organisation involved in such activities.

"If "restructuring" comes to nothing, the status quo prevails, and Wattie is no worse off than it is at present. In either case the group's future in food seems good.

Non-food business relies on other economic factors, but the company is currently doing better in this area than it did in the recent past. That trend seems likely to continue in the next few months at least, with a resulting impact on profitability.

It would be overstating the case to suggest that Wattie is about to become a boom stock as a result of a sales or profit surge, but the shares look a little undervalued in relation to the rest of the market at present.

At 97 cents, they have moved only 8.8 per cent this year. At $1.10 the dividend yield, on present payout, is 8.8 per cent, but there would be a 13 per cent increase in the share price before brokerage. The margin is not great, but it is becoming harder to find stocks with even that margin unless the whole market is to continue its upward trend in the coming months.

Even as a trading prospect in the short term, there could be a gain.

The present yield acts as a cushion against downside risk in the event of a market decline. But movements of the kind recently seen in heavyweights like Forest Products are unlikely to come the way of investors.

ECONOMIC INDICATORS

EXTERNAL TRADE

As recorded in Reserve Bank record of Overseas Exchange Transactions.

	Period	Latest	Previous Year	% Change
Exports				
Meat	Feb 79	$106.6m	$65.8m	62.0
	Feb 79 yr	$1077.7m	$890.4m	21.0
Wool	Feb 79	$70.0m	$65.1m	7.5
	Feb 79 yr	$686.8m	$632.0m	8.7
Deiry Products	Feb 79	$56.6m	$64.6m	12.4
	Feb 79 yr	$600.9m	$593.9m	11.8
Forest	Feb 79	$22.3m	$18.1m	23.2
	Feb 79 yr	$292.5m	$286.6m	2.05
Manutactured	Feb 79	$37.9m	$39.2m	—3.3
	Feb 79 yr	$577.5m	$515.0m	12.1
Total Exports	Feb 79	$342.8m	$288.8m	18.7
	Feb 79 yr	$3789.1m	$3394.2m	11.6
Imports				
Government	Feb 79	$20.9m	$12.8m	63.3
	Feb 79 yr	$189.7m	$162.7m	16.6
Privete	Feb 79	$244.6m	$210.1m	16.4
	Feb 79 yr	$2955.4m	$2969.6m	—0.47
Total Imports	Feb 79	$265.5m	$222.9m	19.1
	Feb 79 yr	$3145.1m	$3132.3m	0.40
Balanca on Trade Transactions	Feb 79	+$77.4m	+$65.9m	17.5
	Feb 79 yr	+$644.0m	+$261.9m	45.9
Balance on Invisiblas	Feb 79	—$89.3m	—$42.0m	11.3
	Feb 79 yr	—$1068.3m	—$831.5m	28.5
Dfficial Overseas Reserves	Feb 79 yr	$774.3m	$645.1m	20.0

FREIGHT MOVEMENTS

	Period	Latest	Previous Year	% Change
Shipping Cargo carried	Dec 78	2719	2949	—7.8
—000 tonnes	Dec 78 yr	32361	35741	—9.5
Rail Freight Carried	Dec 78	1013	1059	—4.3
— 000 tonnes	Dec 78 yr	11704	13092	—10.6

FINANCIAL

	Period	Latest	Previous Year	% Change
Reserva Bank Advances	27 Dec 78	$1258.4m	$886.9m	41.9
Trading Bank Advances	21 Feb 79	$2970.1m	$2069.7m	43.5
N.Z. Dverseas Transactions — balance on ell transactions	Dec 78	—$68.5m	—$67.6m	1.3
Restricled Survey of Hire Purchase	Dec 78 qtr	$140.0m	$124.4m	12.5
— value of goods sold	Dec 78 yr	$530.7m	$449.0m	18.2
Mortgage Interest Rates — average	Dec 78	11.00	10.58	4.0
Govt short-term securities — everage yield	Nov 78	10.50	9.12	15.1
Govt long-term securities — everage yield	Nov 78	10.02	9.92	1.00
Land transters (velue ol land sold)	Nov 78	$265.6m	$216.7m	22.6
	Nov 78 yr	$3248.5m	$2758.6m	17.8
Mortgages registered (value)	Nov 78	$198.3m	$162.6m	22.0
	Nov 78 yr	$2033.4m	$1849.1m	10.0
Mortgages discharged (velue)	May 78	$87.5m	$69.8m	25.4
	Mey 78 yr	$998.8m	$906.64	10.2
Bankruplcies (number)	Jan 79	17	16	6.3
	Jan 79 yr	526	407	29.2
Sales tax collected (velue)	Dec 78	$39.4m	$33.2m	18.7
	Dec 78 yr	$315.3m	$334.7m	—5.8
Totalisator turnover (value)	Jen 79	$51.4m	$41.1m	25.6
	Jan 79 yr	$458.0m	$382.6m	19.7

LABOUR FORCE

	Period	Latest	Previous Year	% Change
Industriet stoppages (working days lost)	Dec 78 qtr	51,661	162,598	—68.2
	Dec 78 yr	283,972	437,694	—35.1
Normal weekly wage rates Index	Dec 78	1114	1000	11.4
Effective weekly wage rates Index (Bese 1977·1000)	Dec 78 yr	1012	1000	10.1
Vacancles at month end	Jan 79	1892	1375	37.6
Unemployment et month end	Jan 79	24,904	18,818	32.3
People on apeciel work scheme at month end	Jan 79	26,562	9680	174.4
Migration	Jan 79	3047	1941	57.0
	Dec 78 yr	—22,307	—13,727	62.5
Totel New Zealand population	Dec 78 yr	3,151,400	3,151,900	—0.01
Births	Dec 78 yr	50,940	54,179	—6.0
Deaths	Dec 78 yr	24,668	25,961	—5.0

PRODUCTION

	Period	Latest	Previous Year	% Change
Electrtcity generation	Dec 78	1596	1546	3.2
— Million kWh	Dec 78 yr	21,642	21,599	00.19
Coal production	Dec 78	146.7	169.2	—13.3
— 000 tonnes	Dec 78 yr	2093.9	2279.3	—8.1
Gas production	Dec 78	3451.2	4205.5	—17.9
— millon megajoulea	Dec 78 yr	58,257.6	60,861.6	—4.3
Motor spirit — petroleum prod.	Dec 78	128,916	157,210	—18.0
— million litres	Dec 78 yr	1,701,611	1,744,078	—2.4
Motor vahicles assembly	Jen 79	2060	1126	82.9
(no. of vehicles)	Jan 79 yr	50,176	62,865	—20.2
Building work put In piece	Sept 78 qtr	305.6	348.5	12.3
(value)	Sept 78 yr	1140.9	1349.9	—15.5
Television sets	Dec 78 qtr	25,219	23,208	8.7
(units)	Dec 78 yr	89,986	119,086	—24.4
All plestic products	Sept 78 qtr	69.3	69.3	0
	Sept 78 yr	244.9	254.6	—3.8

INTERNAL TRADE

	Period	Latest	Previous Year	% Change
Consumer price index (base 1977 1000)	Dec 78 qtr	1101	1000	10.1
Reteil trade — totel turnover	Dec 78 qtr	$646.44m	$570.81m	13.0
— Current prices	Dec 78 yr	$5637.2m	$5094.6m	11.0
Total turnovor	Dec 78 qtr	$843.03m	$786.93m	7.0
— 1974 prices	Dec 78 yr	$3263.67m	$3224.59m	1.0
Per head	Dec 78 qtr	$533.85m	$459.7m	16.0
— current prices	Dec 78 yr	$1798.6m	$1626.7m	11.0
Per head	Dec 78 qtr	$269.17m	$281.7m	—4.0
— 1974 prices	Dec 78 yr	$1056.5m	$1020.0m	4.0
Wholesale trade total turnover	Dec 78 qtr	$1621.6m	$1381.7m	17.0
— current prices	Dec 78 yr	$5827.8m	$6428.9m	7.0
Stocks — Manutecturers	Sept 78 qtr	$2046.6m	$2045.3m	5.0
— Wholesalers	Sept 78 qtr	$926.3m	$909.6m	1.9
— Retailers	Sept 78 qtr	$925.7m	$886.5m	4.4

Economic News

EXTERNAL TRADE

FIGURES released by the Government statistician show that tor the second time this year there was en excess of exports over imports.
The figures ere for the month of February 1979.

EXPORTS — IMPORTS $millions

	Totel Exports [fob]	Total Imports [cif]	Excess of Exports[+] Dver Imports [–]
1978			
July	264.1	232.5	+31.6
August	278.8	331.9	—53.1
September	260.6	264.3	—3.7
October	318.8	390.5	—71.6
November	354.3	316.9	+37.4
December	304.2	262.3	+41.8
1979			
January	319.1	315.0	+4.1
February	377.0	305.1	+71.9
Totals	2476.8	2418.5	+58.3

MANUFACTURING STATISTICS

On April 6 the Statistics Department relaasad the rasult of the quarterly survey of manufacturing. The tigures show a 23.9% increase in sales for the December 1978 quarter compared with the same quarter in 1977. In fect there were increasas in all areas ranging from 4.00% to 23.9%, except in Stocks of Meterials where there wes e decrease ot 2.8%.

MANUFACTURING MAIN INDICATDRS
ALL INDUSTRY DIVISIDNS COMBINED

	December 1978 $m	December 1977 $m	% Change
Sales	3,054.9	2,465.4	+23.9
Stocks			
Meterials	1,030.9	1,060.8	—2.8
Finlshed Goods	1,048.3	1,007.8	+4.0
Gross Capital Expenditure	116.9	101.8	+14.8
Salaries and Wages	630.4	529.1	+19.1
Purchases	1,662.3	1,433.5	+16.0
Other Dperating Expenses	486.5	453.9	+7.2
Hours Worked (000)	137,022	131,709	+4.0

Sharemarket News

Current Debenture Issues

Compeny	Dpans	Closes
AA Finance	14 Feb 1979	14 Aug 1979
Auric Corporation	8 Dec 1978	31 May 1979
Aust Guarantee NZ	22 Nov 1978	22 Mar 1979
BNZ Finance	16 Dec 1978	15 Jun 1979
Bowring Burgess	30 Nov 1978	30 May 1979
Broadlands	15 Mar 1979	15 Sep 1979
Credit & Investments	1 Nov 1978	1 May 1979
Crown Finence	1 Nov 1978	1 May 1979
Finence & Discounts	15 Nov 1978	15 May 1979
F & P Deeler Rentals	15 Dec 1978	8 Jun 1979
General Finance	22 Feb 1979	22 Aug 1979
Generel Motors	30 Oct 1978	30 Apr 1979
International Harvester	5 Mar 1979	5 Sep 1979
Lake Dhau Ski Field	26 Feb 1979	30 Apr 1979
Lomberd NZ	14 Dec 1978	14 Jun 1979
Marec Holdings	5 Mar 1979	5 Sep 1979
Medical Securities	8 Mar 1979	8 Sep 1979
NZI Finance	1 Feb 1979	1 Aug 1979
Paterson & Barr Finance	2 Feb 1979	2 Aug 1979
Retail Developments Ltd	29 Jan 1979	29 Jul 1979
South Centerbury Finance	31 Jan 1979	31 Jul 1979
Tappenden	21 Feb 1979	21 Aug 1979
Transvision	28 Feb 1979	28 Aug 1979
UDC Drd	5 Dec 1978	5 Jun 1979

Issues closed: Allied Finance & Investment
Mescot Holdings

Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	Bks Close Inclusiva	Ex Date
Alcan	1:4	27/4	3 May	30/4
*Aspat	1:4	6/6	12 Jun	7/6
Crown	1:5	24/4	3 Mey	2/5
Mt Cook	2:3	9/4	13 Apr	10/4

*new announcement

Share Price Index Statistics February, 1979

NZUC Year to Date		High	337.92 (Mar)
		Low	317.10 (Feb)
	Month	High	337.92
		Low	319.50
Reserve Bank Year to date		High	1414 (Mer)
		Low	1344 (Feb)
	Month	High	1414
		Low	1350

MONTHLY TURNOVER

1978	Mer	[illegible]
	April	[illegible]
	May	[illegible]
	June	[illegible]
	July	[illegible]
	August	[illegible]
	Sept	[illegible]
	October	[illegible]
	Nov	[illegible]
	Dec	[illegible]
1979	Jan	[illegible]
	Feb	[illegible]
	Mar	[illegible]

NBR SHAREMARKET SURVEY

WEEK ENDING APRIL 19, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1967=100)